Polar Capital Holdings plc

Annual Report and Accounts for the year ended 31 March 2015

Year ended
2015

Contents

Polar Capital at a Glance

Highlights

- Assets under Management ('AUM') at 31 March 2015 US$12.3bn (2014: US$13.2bn)
- Core operating profit excluding performance fees up 13% to £27.7m (2014: £24.6m)
- Profit before share-based payments £33.7m (2014: £34.2m)
- Pre-tax profit £31.1m (2014: £32.7m)
- Basic earnings per share 27.46p (2014: 30.78p) and adjusted* diluted earnings per share 28.12p (2014: 29.04p)
- Dividends for the year 25.0p per share (2014: 25.0p) including a second interim dividend of 19.5p per ordinary share to be paid on 17 July 2015 to shareholders on the register on 3 July 2015
- Shareholders' funds £75.2m (2014: £74.2m) including a strong cash position
- Addition of two new managers over the period resulting in the launch of the Polar Capital UK Absolute Equity UCITS fund in September 2014 and a long only UCITS Pan European Income fund in October 2014.

*Adjusted to exclude cost of share-based payments.

About Polar Capital

Polar Capital is a specialist investment management company that brings together teams to offer professional and institutional investors a range of fundamental research-driven funds diversified by asset class, geographical and sectoral specialisation. Since its foundation in 2001, it has steadily grown and currently supports 11 investment teams managing 23 funds and 4 managed accounts across a range of long-only and alternative products, with combined AUM of US$12.3 billion.

Polar Capital Holdings plc ('the Company') was listed in London on the Alternative Investment Market in February 2007. It trades under the ticker 'POLR.LN'.

Consistent with Polar Capital's founding strategy of fostering an equity culture amongst its employees and providing a high level of transparency to clients, over 32% of the equity is held by directors, founders and employees. Polar Capital Holdings plc has two key corporate investors: Caledonia Investments plc, a London-listed investment trust with a notable track record of backing emerging companies in the financial sector, owns 9.0%, and XL Group plc, an Irish-domiciled NYSE-listed company, which through its subsidiaries and under the XL Catlin brand, provides insurance and re-insurance worldwide and has a proven pedigree of taking minority interests in alternative asset managers, holds 8%.

Philosophy

- Primacy of investment performance
- Institutional robustness across an operational, compliance, risk and relationship management platform
- Diversified yet complementary set of funds with a focus on fundamental research driven strategies
- A culture which is flexible, entrepreneurial and transparent
- An environment for employees in which talent can flourish and be well rewarded
- High equity ownership amongst staff

Business Infrastructure

- Distribution and Marketing
- Operational Support
- Risk Management
- Compliance
- Technology
- Finance

Office Locations

- London (UK)
- Tokyo (Japan)
- Jersey (Channel Islands)
- Connecticut (USA)
- Geneva (Switzerland)
- Edinburgh (UK)

Our Funds/Strategies
(in chronological order)

Assets Under Management

	As at 31 March 2015 $m	As at 31 March 2014 $m
Technology	**2,037**	**1,793**
Technology Trust plc	1,199	1,043
Global Technology UCITS Fund	838	750
Japan	**3,743**	**5,629**
Japan UCITS Fund*	3,612	5,478
Japan Alpha UCITS Fund	131	151
Europe	**747**	**761**
European Forager Hedge Fund	672	602
European Conviction Hedge Fund	75	159
Healthcare	**1,503**	**1,184**
Global Healthcare Growth & Income Trust plc	349	321
Healthcare Opportunities UCITS Fund	1,052	854
Biotechnology UCITS Fund	49	9
Healthcare Blue Chip UCITS Fund	53	–
Financials	**1,035**	**1,063**
Asian Financials UCITS Fund	53	46
Global Insurance UCITS Fund	526	582
Income Opportunities UCITS Fund	135	106
Financial Opportunities UCITS Fund	27	27
Global Financials Trust plc	294	302
Emerging Markets	**783**	**832**
Emerging Markets Growth UCITS Fund*	250	303
Emerging Markets Income UCITS Fund	533	529
Convertibles	**313**	**103**
Alva Global Convertible Hedge Fund*	81	73
Global Convertible UCITS Fund	232	30
North American UCITS Fund	**1,972**	**1,729**
European Market Neutral Fund	**–**	**70**
European Market Neutral Hedge Fund	–	20
European Market Neutral UCITS Fund	–	50
Global Alpha UCITS Fund	**100**	**85**
UK Absolute Equity UCITS Fund	**11**	**–**
European Income UCITS Fund	**12**	**–**
Total	**12,256**	**13,249**

* Including managed accounts run off the same strategy

Analysis of Changes in Asset Types for the 12 Months to 31 March 2015

	Long $m	Alternative $m	Total $m
Total assets as at 31 March 2014	12,315	934	13,249
Net subscriptions/(redemptions)	(2,228)	254	(1,974)
Closure of EMN team	Nil	(67)	(67)
Performance and currency movements	1,098	(50)	1,048
Total assets as at 31 March 2015	**11,185**	**1,071**	**12,256**

Chairman's Statement

Tom Bartlam
Chairman

This was our first financial year since the financial crisis in which we did not grow AUM, which fell to $12.3bn from $13.2bn at the start of the year. We experienced inflows into a wide range of funds but we saw significant redemptions from our main Japan fund having had remarkable and unprecedented inflows in the previous year. Whilst disappointing at a headline level, the Company continued to make good progress in a number of areas and we remain optimistic about the opportunity ahead of us.

Results

Pre-tax profits before share based payments fell to £33.7m from £34.2m in the prior year. Core pre-tax profit increased from £24.6m to £27.7m. Net performance fees decreased from £7.6m to £5.2m although this was our fourteenth successive year of generating such fees.

Our balance sheet remains strong with net assets of £75m including net cash of £41.4m.

Market Background

This year proved a more challenging one in terms of markets than fiscal 2014. Through the first six months of the year markets made little progress and a number, like the UK and Japan, were actually in negative territory as market participants worried over the outlook for global growth. There were questions over the sustainability of the US economic recovery after the Federal Reserve's announcement that it would end quantative easing (QE); questions too over the Euro zone and its largely stagnant economies, high unemployment and debt levels. China was continuing to slow and the Japanese economy had a setback over the summer as a result of the increased consumption tax imposed by the Abe government.

Adding to the economic worries was the ongoing escalation of the conflict in Ukraine and rising tensions between Russia and the West.

The second six months saw a marked improvement in sentiment as economic prospects around the globe improved considerably following the very sharp drop in the oil price. This gave a real boost to the global consumer and reduced inflationary pressures further. Sentiment was also boosted by the decision of the European Central Bank finally to implement QE. Although widely anticipated its eventual implementation was seen as an important commitment by the ECB to underpin the peripheral bond markets within the Euro zone.

Markets generally therefore had a good second half with the FTSE All Share Index finishing up 3% over our fiscal year and the Morgan Stanley World Index up 4.0%. Bigger gains were seen in the US where the Standard and Poor's 500 Index was up a healthy 10.4% whilst more spectacular gains still were seen in Japan where the Nikkei rallied sharply to finish up 29.5%!

Developments

Whilst in our last financial year we actually reduced the number of investment teams, we were back in expansion mode this year adding two new managers over the summer. The first addition was a UK absolute return manager Guy Rushton, ex Legal and General, who launched the Polar Capital UK Absolute Equity UCITS fund in September 2014. Guy is a young emerging manager with great potential and his fund has got off to a good start.

The second manager is another younger generation manager with great potential – Nick Davis, previously at Threadneedle, who joined us shortly after Guy. In October we launched his first fund, a long only UCITS Pan European Income fund, and this has also made a promising start. We will be launching a second fund for Nick at the start of July. This will be a European Income (ex UK) long only UCITS fund. Both funds offer considerable growth potential over the medium-term.

We may look to add a twelfth team in 2015 and ideally this would be a team oriented to institutional clients.

Chairman's Statement continued

Funds and Performance

The sizeable outflows from our main Japan UCITS fund together with some modest profit taking in the Global Insurance fund meant that our more moderate but well spread inflows failed to match our outflows this year. Nevertheless, we were pleased to see inflows into North America, Biotechnology, Healthcare Opportunities, GEM Income and GEM Growth, Income Opportunities and Global Alpha. We also launched another Healthcare product during the year – the Healthcare Blue Chip fund which was seeded by a client.

Fund performance on the long only side improved in general. However, the Japanese funds had a disappointing year although since our year end their performance is once again on an upward trend. The team's long-term performance remains exceptional.

11 of our 14 Lipper rated long only UCITS funds (with at least a 1 year track record) are over one year first or second quartile and our longer term performance numbers across our fund range remain strong. Over five years, four of our six UCITS funds are top decile and only one is outside the top quartile and we expect that to prove temporary.

Looking at performance since inception on our UCITS funds, all but two of the seventeen funds have outperformed their benchmarks net of all fees. This strong performance record is testimony to the merits of active management when done well.

Our three absolute return strategies enjoyed mixed results over the year. On the hedge fund side returns were muted although better returns were enjoyed by our two alternative UCITS products with the Global Convertible Bond (GCB) UCITS 3.6% above its index over the period and our newly launched UK Absolute Equity fund was up 7.1% to the end of March.

The strong performance of GCB has not gone unnoticed by investors and having seeded the fund originally ourselves with $10m in November 2013, I am pleased to report that the fund is now over $275m.

Awards

We were in receipt of numerous awards at a fund level over the year and my congratulations go to all the teams involved.

Of particular note were the awards to the European Forager hedge fund and to the Income Opportunities fund. Forager won the Best Equity Directional Hedge Fund over 10 years at the Hedge Fund Review 14th Annual European Single Manager Awards whilst Nick Brind won Best of Specialist Financials with his Income Opportunities fund at the annual Investment Week Fund Manager of the Year awards.

Lipper Rated Fund Performance

	1 Year	3 Years	5 Years	Since inception
1st Quartile	6 funds	5 funds	5 funds	10 funds
2nd Quartile	5 funds	3 funds	–	3 funds
3rd Quartile	1 fund	1 fund	1 fund	1 fund
4th Quartile	2 funds	1 fund	–	–

Dividend

As previously stated the Board believes that the level of dividend should reflect the Company's trading results, its cash resources and also its future prospects. The total dividend for any year is always a distribution of the majority of the Group's total earnings for the year.

The Board has declared a second interim dividend of 19.5p (2014: 21p) to be paid in July 2015. Together with the interim dividend of 5.5p paid in January 2015 the total dividend for the year amounts to 25p, unchanged from the previous year.

Outlook

The outlook for global growth looks very similar to the outlook I envisaged when I wrote to you last year – steady growth with inflationary pressures remaining muted, although a note of caution must also be sounded over the macro risks which can adversly impact markets.

The fall in the oil price has underpinned the recovery in the US and made a significant difference in continental Europe where for the first time since 2010 the four largest economies in the Euro zone all managed to post quarterly growth in the first calendar quarter of this year. China's growth continues to slow although not as drastically as some doomsayers had predicted and the outlook for India continues to improve as does that of the world's third largest economy Japan. Here in the UK the outlook remains positive now the uncertainty of the General Election is behind us.

Markets are by no means cheap and are susceptible to a meaningful correction if central banks cannot manage to deflate at a measured rate the various bond market bubbles they have created in Western economies. Overall debt levels remain uncomfortably high in too many countries although there has been notable progress in some such as the US.

Ironically, aspects of banking legislation introduced in response to the last financial crisis may inadvertently lead to the next financial crisis. By restricting the deployment of banks' own capital quite severely, liquidity in a number of key markets notably the US treasury market has been much reduced. Unfortunately legislators and regulators around the globe do not always fully comprehend the consequences of their actions.

As always there are various geopolitical risks that could escalate and have a marked short-term impact on markets – North Korea, Russia/Ukraine and the Middle East all make the list again this year. No list would be complete without the ever present risk of another Euro crisis precipitated by a Greek default on their unsustainable debt level.

However, such events notwithstanding overall conditions for businesses in many parts of the world should be sufficiently favourable for good companies to grow their earnings further. We see a favourable market in which good active stockpickers can perform. We are hopeful that our Japanese business will stabilise over the coming months and that we can once again start to grow our AUM and profits given the many and varied fund opportunities we now have.

Annual General Meeting

The Annual General Meeting will this year be held at our new offices at 16 Palace Street, London SW1E 5JD at 2.30pm on Wednesday 29 July 2015 and I would encourage shareholders to attend and meet the Directors.

Full details of the meeting are given in the separate Notice of Annual General Meeting.

Tom Bartlam
Chairman

19 June 2015

Chief Executive's Report

Tim Woolley
Chief Executive

This is my sixth time of writing to you since I was appointed CEO in November 2009 and this will be the first time that I have written to you where we have not seen an increase in our AUM over the financial year. We are though far from downbeat as the Company enters the new fiscal year and the opportunity ahead of us remains exciting and significant.

We have continued to invest in the business over the last year, bringing in additional investment talent, further expanding distribution and adding customer service and marketing resource. On the operational side we remain well placed to meet the challenges of increased regulation and oversight from the regulatory authorities and the increased levels of due diligence being performed by clients. This combination is discouraging new entrants to the industry and will undoubtedly lead to further consolidation over the coming years.

Our strategy remains unchanged and if we deliver on investment performance across our product range then we have a $25bn plus opportunity with the existing teams and existing products. We still have scope to add one further team without altering our founding strategy, which has served us well so far and of course there is considerable scope to expand the existing teams and the products they offer.

Given the collection of investment talent we have now assembled there will also be scope to consider launching product that formally involves multiple teams in their management. We are therefore not short of opportunity and ideas as we enter our fifteenth year!

We have recently moved into new premises giving us the physical base to support further expansion of the business. Having spent ten years at our last offices one inevitably has cause to look back and reflect on one's time there.

During those ten years we encountered a remarkably wide range of economic and market conditions, from the strong economic growth and excesses of the bull market to the financial crash of 2008; which was comparable to the worst market conditions over the last one hundred years. This was then followed by a slow and erratic recovery in economies and markets, frequently punctuated by crises in Europe and various geopolitical flashpoints around the globe eventually giving way to the outlook described by our Chairman in his statement.

Despite what can only be described as a varied and challenging economic and market backcloth, your Company managed significant growth over the period. Our AUM increased fivefold, profits increased substantially as did the number of investment teams, their depth and the range of products they manage. Our growth though was not in a straight line and there were plenty of setbacks and periods of uncertainty over those ten years.

As well as giving cause for reflection an office move is good for a thorough sort through one's accumulated papers and files! It was during this process that I came across the original paper setting out our mission and founding philosophy. Whilst much has changed in our industry and in the world in general our mission and philosophy have not and they remain as appropriate today as they were when first written:

Our Mission

- To deliver exceptional absolute and relative investment performance
- To create and manage product designed to help our clients protect and build wealth
- To develop and maintain long-term client relationships through the provision of timely and open communication and service
- To maintain a robust and scaleable infrastructure of which an independent and comprehensive system of risk control is a critical component

Our Philosophy

- Concentrate our resources on providing excellent risk adjusted returns on a consistent basis
- Capping fund sizes at relatively modest levels to maximise returns to our clients
- Focus product development in areas that meet the evolving needs of a diversified client base
- Provide an environment that attracts and retains the highest calibre of performance oriented professional
- Conduct our business with the highest professional and ethical standards

We remain firmly committed to active fund management based on fundamental research and we continue to seek to serve that section of clients who are seeking superior long-term outperformance from their funds. The growth in passive strategies continues to be strong and remains complementary to our own efforts for that segment of clients where certainty of returns and near term costs have to be balanced against the potential for substantially higher albeit less certain returns from a portfolio of purely active funds.

The longer term merits of an actively managed fund done well are well illustrated by reference to our main Japanese UCITS fund. If a client had invested £100,000 in that fund ten years ago it would now be worth £178,800 after all costs. If the client had invested that same amount in the benchmark ETF it would be worth £133,600. Although the client would have saved on fees he would actually be materially worse off. In the end it is a matter of personal preference on the degree one is focused on the costs of a product versus the net money outcome. We see the mass market increasingly gravitating to the former whilst the high end market is likely to remain focused on investment outcomes and net returns or some balancing of the two approaches.

We do not have the marketing resource, the technological scale or the product capacity to play in the mass market. We see that as increasingly the domain of the passive suppliers and the very large global asset managers. These suppliers will look to increasing volumes to offset ever lower prices, as price is the only real way of differentiating a passive offering or an 'active' fund hugging an index over the longer term despite the claims to the contrary of marketing dollars. As with other industries where 'manufacturing scale' and marketing spend are critical to success, further consolidation will be inevitable and I expect the handful of large American passive suppliers to further increase their market share and consolidate the industry still further – the possibility of a duopoly of supply for passive products over the medium-term cannot be discounted should present trends continue.

It will be interesting to see how the regulators respond to such a concentration of supply of investment products and the danger of 'too big to fail' coming to the heart of the asset management industry for the mass market.

We will remain focused on the high end market. For further success in this increasingly global market segment we will need to continue to execute on the following: 1) deliver superior investment performance; 2) expand our distribution capability whilst maintaining a high level of client service and support; 3) maintain and expand our operational infrastructure ensuring integrity, robustness and transparency at all times; 4) maintain and expand our independent investment risk and regulatory compliance monitoring and systems. We believe we have the capabilities to deliver on all these areas and the financial strength to continue to invest and withstand any setbacks in the economic and market environment comparable to those experienced over the last ten years.

I would like to close by thanking our clients for their continued trust in us and to thank our many shareholders for their loyal support and of late, patience. Finally, I would like to thank all our staff for their unstinting commitment, hard work, passion and professionalism over the last twelve months. We look forward to the year ahead.

T.J.Woolley
Chief Executive

19 June 2015

Financial Review

John Mansell
Finance Director

Results of the year

The results for the year can be summarised as follows: profits for the year are similar to last year's with slightly higher revenues being offset by slightly higher costs. The analysis below explains the reasons for each variance, starting with revenues.

Revenues	31 March 2015 £'m	31 March 2014 £'m
Net management fees (net of commissions and fees payable)	75.0	66.3
Performance fees	12.2	19.2
Other income	0.8	2.1
Total revenues	£88.0m	£87.6m

Despite the year on year fall in AUM (31 March 2015: US$12.3bn versus 31 March 2014: US$13.2bn) the average AUM over the year was higher than the average AUM over the previous year. This accounts for the increase in net management fees received over the year. The decrease in performance fees received is a reflection of the general disappointing performance of some of the Group's products over the calendar year. Fortunately by the financial year end, notable improvement was evident. The reduction in other income is also a function of the generally weaker performance of some of the Group's products, as that income is a product of the profits that are generated from the Group's seeding program.

Costs	31 March 2015 £'m	31 March 2014 £'m
Salaries, bonuses and other staff costs	16.7	15.9
Core distributions	19.5	16.7
Core cash compensation costs	36.2	32.6
NIC on share options	1.9	1.0
Other operating costs	9.1	8.0
Core operating costs	47.2	41.6
Performance fee interests	7.1	11.6
Total operating costs	£54.3m	£53.2m

The small increase in total operating costs to £54.3m from £53.2m masks a number of 'overs and unders'.

In the year the fall in performance fee interests to £7.1m from £11.6m in 2014 (directly correlated to the reduction in performance fee revenues) was more than counterbalanced by an increase in firstly and most materially compensation costs (2015: £36.2m versus 2014: £32.6m) and also secondly some increase in other operating costs (2015: £9.1m versus 2014: £8.0m).

The increase in salaries, bonuses and other staff costs was a function of the increase in head count in the firm both on the investment side and in support areas.

The increase in core distributions was a function of the increase in management fee revenues and the management fee profitability of the firm.

For the first time the National Insurance cost relating to the Group's conventional share options has been split out from the 'other operating cost' line. This cost is sufficiently material to warrant separate identification. The cost in a year is a function of the total cost of employers NIC that would be payable on share options that either have vested in the year or are able to vest at the balance sheet date. Any increase in provision is predominantly a function of the increased quantity of options that are able to vest in the year. The cost is also sensitive to the company's share price. At the current share price the cost for the next 12 months is expected to revert to last year's cost of £1.0m compared to this year's £1.9m.

Over half of the increase in operating costs to £9.1m from £8.0m is a function of a full year of Bloomberg terminals being charged to the profit and loss account. Looking forward we have signalled that the recent move into our new premises will result, from April 2015, in a £1m per annum increase in rent and rates which are included within other operating costs.

Profits	31 March 2015 £'m	31 March 2014 £'m
Core operating profit	27.7	24.6
Performance fee profit	5.2	7.6
Other income	0.8	2.0
Profit before share-based payments and tax	33.7	34.2
Share-based payments	(2.6)	(1.5)
Profit before tax	£31.1m	£32.7m

The headline profit before tax for the year has decreased to £31.1m from last year's £32.7m.

The Board believes that the best measure of the Group's profitability is the profit before share based payments (as detailed more fully below) and tax. On this basis the Group has delivered £33.7m of profits against last year's £34.2m. The analysis of the different components of profits shows that:

- **Core operating profits**
  the increase in profits reflects the rise in management fee revenues driven by the increase in average value of assets managed over the year.
- **Performance fee profits**
  weaker performance across the product range compared to 2014 has resulted in the reduction in performance fee profits.
- **Other income**
  the weaker fund performance was also reflected in the company's seed investments delivering a reduced contribution.

Share-based payments

The face of the consolidated income statement includes a line titled 'share-based payments' which accounts for a charge of £2.6m (2014: £1.5m). The figures are broken down as follows:

	31 March 2015 £'m	31 March 2014 £'m
Cost attributed to preference shares	1.6	0.6
Cost attributed to conventional options	1.0	0.9
Total cost of share-based payments	£2.6m	£1.5m

The increase in this charge is dominated by the increase in the charge associated with the group's preference shares (see below).

Earnings per share

The effect that the charge for share-based payments has on the EPS figures of the Group is as follows:

	31 March 2015 Pence	31 March 2014 Pence
Diluted earnings per share	25.4	27.4
Impact of share-based payments	2.7	1.6
Adjusted diluted earnings per share	28.1p	29.0p

Financial Review continued

Preference shares

A separate class of preference share is issued by Polar Capital Partners Limited for purchase by each new team of fund managers on their arrival at the Group. These shares provide each manager with an economic interest in the funds that they run and ultimately enable the manager to convert their interest in the revenues generated from their funds into equity in Polar Capital Holdings plc. The equity is awarded in return for the forfeiture of their current core economic interest and vests over three years with the full quantum of the dilution being reflected in the diluted share count (and so diluted EPS) from the point of conversion. The event has been designed to be, at both the actual and the diluted levels, earnings enhancing to shareholders.

In the year to 31 March 2015 there were no new conversions of preference shares into Polar Capital Holdings equity, whereas in the year to March 2014 one conversion was initiated. The product of the 2014 event was that a total of 1.39m shares were to be issued of which 0.98m shares have been issued as at 31 March 2015. The remaining 0.41m shares will be issued on 31 March 2016. Simultaneous to the initial commitment to issue these new shares in Polar Capital Holdings plc the recipient of the shares has forfeited a fixed economic interest in the business unit to which the shares were associated amounting to a value of £0.5m per annum.

As at 31 March 2015 three additional sets of preference shares have the ability to call for a conversion. The call has to be made on or before 30 November 2015 if any conversion is to take place with effect from 31 March 2015. It is the relative success and profitability of the funds represented by these three sets of preference share that accounts for the increased cost attributed to preference shares identified above (2015: £1.6m versus 2014: £0.6m).

Balance sheet and cash

At the year end the cash balances of the Group were £41.4m (2014: £47.0m). The decrease was mainly a product of additional seed investments made in the period and also some capital expenditure refurbishing the new offices that the firm occupied in April 2015.

At the balance sheet date the Group held £51.7m of seed investments in its funds (2014: £43.9m).

Capital management

The Group believes in retaining a strong balance sheet. The capital that is retained in the business is used to either seed new investment products or if not so required is invested into the Group’s absolute return funds as investment capital. As at March 2015 there were no pure investments, but £51.7m of the Group’s balance sheet was invested to seed funds. The majority of the interest and investment revenues in the year were a product of this seeding program, where £3.7m of profits were produced from the mark to market of investments and the associated currency hedging while £2.9m of losses were a function of the mark to market losses made on the long only investment hedging program.

The Group’s dividend policy is to distribute the majority of its earnings.

Business risk

There are a number of risks and uncertainties faced by the Group which are more fully described later in this Strategic Report. Amongst the major risks to the business strategy is the loss of assets under management due to markets falling, poor investment performance or the loss of key investment personnel. These events will not only have an immediate impact on the management fees earned by the Group but also deprive the Group of possible performance fees.

Going concern

The Financial Reporting Council has determined that all companies should carry out a rigorous assessment of all the factors affecting the business in deciding to adopt a going concern basis for the preparation of the accounts.

The Directors have reviewed and examined the financial and other processes embedded in the business, in particular the annual budget process and the financial stress testing inherent in the Internal Capital Adequacy Assessment Process (‘ICAAP’). On the basis of such review and the significant liquid assets underpinning the balance sheet relative to the Group’s predictable operating cost profile, the Directors consider that the adoption of a going concern basis, covering a period of at least 12 months from the date of this report, is appropriate.

John Mansell
Finance Director

19 June 2015

Business Overview

The Group is required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out a report to shareholders outlining a fair review of the strategy and performance of the Group during the year ended 31 March 2015, the position of the Group at the year end and a description of the principal risks and uncertainties facing the Group.

Full details of the Groups' activities are set out in the Strategic Report comprising of the Chairman's Statement, Chief Executive's Report and the Finance Director's Report and this business review which should be read in conjunction the Report of the Directors which follows.

Who We Are

The Polar Capital Holdings Group is a specialist investment management Group offering professional and institutional investors a range of geographical and sector funds. The Group investment strategies have a fundamental research driven approach. The Group has long-only and absolute return funds in its product range.

Founded in 2001, the Group currently has 110 employees of whom 51 are investment professionals managing 23 funds and 4 managed accounts.

Polar Capital Holdings plc is AIM quoted following its initial public offering in February 2007. Consistent with the Group's founding strategy of fostering an equity culture amongst its employees and providing high levels of transparency to clients, 32% of the equity is currently held by Directors, founders and employees.

The Group's head office is in London and it has offices in Tokyo (Japan), Jersey (Channel Islands), Conneticut (USA), Geneva (Switzerland) and Edinburgh (UK).

Strategy and Business Model

The Group's goal is to become a leading specialist fund manager through a strategy of delivering to professional and institutional investors a range of fundamentally driven investment products that deliver differentiated risk adjusted returns over the long-term.

Our philosophy is to focus on investment performance over and above the gathering of assets. We believe there is an alignment of interest between the investment managers we recruit, their focus on delivering superior returns and the interests of professional and institutional clients who are seeking differentiated investment products.

The Group provides research driven specialist investment products across long only, long bias, equity long/short and other fundamentally driven hedge fund strategies.

In addition to providing clients with superior investment products we place great emphasis on providing high levels of customer service, operational integrity, independent risk control and compliance supervision. We believe such a combination will increasingly set us apart in the marketplace and deliver attractive levels of long-term earnings and dividend growth to our shareholders.

We place great emphasis on providing and maintaining an entrepreneurial, vibrant, collegiate and transparent environment for our fund managers and our employees. We believe this will become an increasingly important factor in the attraction and retention of talented people.

The Group will continue to maintain a strong and healthy balance sheet providing our clients with added comfort.

The Company meets the Global Investment Performance Standards ('GIPS') for our performance measurement processes and procedures.

Principal risks and uncertainties

The Group, as any business operating in the financial services sector, faces a number of challenges to its successful operation and development. The principal risks and uncertainties facing the Group are addressed through a risk management framework that provides a structured process for identifying, assessing and managing risks associated with the Group's business objectives and strategy.

Risks arise from external sources as well as those which are inherent commercial risks in the market place and business, as well as operational risks contained in the systems and processes employed within the business. The principal risks inherent in the Group's business are economic, market, portfolio, regulatory and operational. These risks will be explained in further detail below.

Business Overview continued

External risks

External risks arise from political, legal, regulatory and economic changes.

Changes in legislation, particularly taxation, can affect investment behaviour, making investment generally, and specific kinds of investment products in particular, either more or less appealing. Changes in interpretation of existing tax laws also can impact on the Group's business. These changes cannot be predicted, but the Group consults with its external advisors and seeks to operate within the applicable legislation.

Failure to comply with regulations, particularly those issued by the Financial Conduct Authority or the London Stock Exchange, could result in the Group losing the ability to operate as a regulated financial services business or its AIM quotation being suspended or withdrawn. The Group's investment activities are regulated primarily by the Financial Conduct Authority in the UK and the Group is also subject to regulation in the various other jurisdictions in which it operates. In the context of the current regulatory environment, the Board believes its regulated business has sufficient resources for compliance monitoring and to take corrective action when warranted.

The Group seeks to operate within applicable Financial Conduct Authority Principles, Rules and Regulations and those issued by the London Stock Exchange to govern the trading of the Company's shares on AIM.

The Board through the work of the Audit Committee receives and reviews regular reports on the compliance controls in place to prevent or detect any non-compliance of the Group with rules and regulations.

The Audit Committee Report on pages 20 to 22 provides further details on the work undertaken.

Economic and market risk

Economic risks arise from the concept, design and implementation of the Group's business model. The Group operates in a highly competitive industry and if it is unable to compete effectively with its competitors its business could be adversely affected. Polar Capital's key areas for competition include historical investment performance, its ability to attract and retain the best investment professionals and quality of service. The Board reviews the business strategy periodically and considers financial, fund performance and operational information regularly. The Group's reputation is one of its most important assets since it operates in an industry where integrity, customer trust and confidence are paramount. There is a system of internal controls which seek to ensure that events which could damage or call into question the reputation of the Group, its products or staff are prevented.

Portfolio risk

The Group has a formal Risk Committee that convenes monthly and is chaired by the Group's Chief Risk Officer ('CRO') and comprises the Chief Executive, the Chief Operating Officer, the Global Head of Distribution and Mr Ashford-Russell. The committee reviews all the portfolios managed by the firm and has presented to it analysis produced by the CRO relating to portfolio structure, exposure, concentration, returns, liquidity and risk. Portfolio managers present to this committee on a regular basis or when requested.

The Group is subject to the effects of exchange rate fluctuations as Sterling is the Group's reporting currency but the Group's business is often conducted in jurisdictions which generate revenue, expenses and liabilities in other currencies. A summary of the Group's foreign currency exposures as at 31 March 2015 can be seen in Note 22 to the accounts.

The loss of a client or a significant investor in a large fund could damage the financial position of the Group. Regular contact is maintained with all clients and fund investors and the strategy of the Group is to diversify its earnings streams to be less susceptible to such events.

The Group has a number of key fund managers the loss of which could result in significant investor redemptions from the funds they manage and loss of revenue to the Group. Each of the key managers has an economic interest in the success of their funds and the overall business.

Operational risk

Operational risk arises from potentially inadequate or failed processes, from people and also from external events. Operational risk has both financial and non-financial impacts and the Group's objective is to manage and mitigate risk exposure by ensuring operational risk policies are developed and applied consistently and effectively throughout the Group. If any of the Group's financial, accounting or other data processing systems do not operate properly or are disabled or, if there are other failures in the Group's internal processes, people or systems, the Group could suffer financial loss, business disruption, liability to clients, regulatory problems or damage to its reputation. The Group also relies, through its outsourcing arrangements, on a number of third-party providers of administration and other back office functions.

The Group's core businesses have in place disaster recovery plans covering current business requirements, which are tested annually to ensure an appropriate level of resilience in the day to day operations and minimise the risk of severe disruption occurring. The Group is satisfied that the recovery capability remains appropriate for the size of the Company. Furthermore, the Group also looks to ensure that its suppliers of administration and IT services and other back office functions have disaster recovery plans and business continuity plans. The Group also continues to develop its systems in response to expected growth and increased sophistication in the investment management market. The Board believes that the Group has appropriate financial and management controls in place.

The Board regularly reviews statements on internal controls and procedures and has on an annual basis subjected the Group to an annual internal control audit carried out in accordance with the International Standard ISAE 3402 – Assurance Reports on Controls at a Service Organisation.

Corporate social responsibility

The Board recognises that it should take account of the needs of society and the environment and maintain high ethical standards. It takes collective responsibility for Corporate Social Responsibility ('CSR') policy and has focused on: staff welfare; respecting the environment; and treating customers fairly. The extent to which individual principles have been formalised is appropriate to the size of the organisation and these are documented in both the staff handbook and the compliance manual.

Staff welfare and gender diversity

The Group's success is largely dependent on recruiting, retaining, and developing the best financial services professionals. To achieve this the Group seeks to ensure that working conditions are of a high standard and has in place good and effective management and staff communications, with the ability for staff to engage in decisions. The Group also encourages participation in the success of the business through share options and has a range of benefits to support staff, including ill health protection and life cover. The Group is committed to equal opportunities and diversity in staff selection and opportunities for promotion, with appropriate consideration being given to applications for employment from disabled persons.

The Group aims to remunerate staff in line with market practice, to provide development opportunities and to encourage staff motivation and retention.

The environment

The Group has implemented processes to manage environmental risks so as to reduce, reuse and recycle, wherever possible, waste materials within its place of business.

Treating Customers Fairly

Treating Customers Fairly is part of the Group's business ethos and ensures its regulated business complies with the FCA Principle, 'A firm must pay due regard to the interests of its customers and treat them fairly'. The fair treatment of customers is central to our corporate culture.

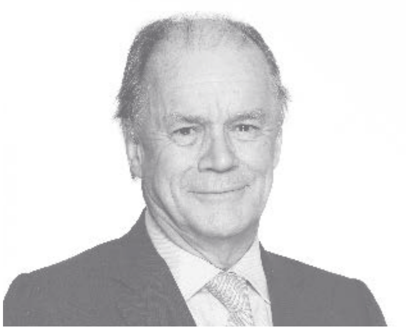
Approved by the Board on 19 June 2015

By order of the Board.

Neil Taylor
Company Secretary

Board of Directors

Non-executive Chairman and Executive Directors



Tom Bartlam †*^
Non-executive Chairman
Appointed to the Board in July 2007 and became Chairman in September 2007.

Tom was a managing director of Intermediate Capital Group plc which he co-founded from 1989 until his retirement in 2005. He is non-executive Chairman of Pantheon International Participations plc and Jupiter Primadona Growth Trust plc as well as a non-executive director of The Diverse Income Trust plc.

Tim Woolley
Chief Executive Officer and Founder
Appointed to the Board in 2002 and became chief executive in November 2009.

Tim joined Henderson Global Investor's technology team in 1996 and left with Brian Ashford-Russell to establish Polar Capital in 2001.

John Mansell
Chief Operating Officer and Finance Director
Appointed to the Board in 2002, having joined Polar Capital in 2001.

Prior to joining Polar Capital he spent 11 years at Lazard Asset Management. John is a fellow of the Institute of Chartered Accountants of England and Wales.

Non-executive Directors

Hugh Aldous †^
Non-executive Director and Chairman of the Audit Committee

Appointed to the Board in 2007.

Hugh was a partner in Grant Thornton UK LLP and was formerly a partner in RSM Robson Rhodes from 1976 where he was latterly head of its financial services team. Hugh is Chairman of Capita Sinclair Henderson Ltd and SPL Guernsey ICC Ltd and is a non-executive director of Innospec Inc, and Elderstreet VCT plc.

Michael Thomas †*^
Non-executive Director and Chairman of Remuneration Committee

Appointed to the Board in 2008.

Michael was a director of Martin Currie Limited and investment manager of the Japanese team until his retirement in 2007.

Brian Ashford-Russell
Non-executive Director and Founder

Appointed to the Board in 2002.

Brian was head of the technology team at Henderson Global Investors from 1987 until September 2000 and is a co-founder of Polar Capital. He was the appointed fund manager of Polar Capital Technology Trust plc, from launch in 1996 until May 2006.

George Bumeder *^
Non-executive Director

Appointed to the Board on 8 September 2011.

George is senior vice president of XL Group Investments LLC, a subsidiary of the XL Group plc.

Jamie Cayzer-Colvin †*^
Non-executive Director

Appointed to the Board in 2002.

Jamie is a director of Caledonia Investments plc and a non-executive director of the India Capital Growth Fund plc and Chairman of Henderson Smaller Companies Investment Trust plc.

† member of Audit Committee
* member of Remuneration Committee
^ member of Nomination Committee

Directors' Report and Corporate Governance Report

The Directors present their report including a report on the on corporate governance arrangements and the audited consolidated financial statements of Polar Capital Holdings plc ('the Company') for the year ended 31 March 2015. Matters relating to the future developments of the business and identification of branches are given in the Strategic Report.

The Company is incorporated in England and Wales under registered number 4235369 and its registered office is at 16 Palace Street, London SW1E 5JD.

Directors

Biographies of the Directors who served during the year are set out on pages 14 and 15. All the Directors held office throughout the year under review and up to the signing of this Report.

The remuneration, and principal terms of employment and the interests of the Directors in the Company's shares and options are detailed is set out in the Directors' Remuneration Report on pages 23 to 25.

The Articles of Association require all Directors who held office at the time of the two preceding AGMs and did not retire by rotation at either of them to retire from office by rotation and all new Directors appointed by the Board are required to seek reappointment by shareholders at the next general meeting of the Company following their appointment.

In accordance with the Articles of Association Mr Bumeder retires from office and being eligible offers himself for re-election at the Annual General Meeting.

Directors' interests and conflicts

None of the non-executive Directors except for Mr Ashford-Russell have any interest in any contract with the Group or Company.

Mr Ashford-Russell is a non-executive director of Polar Capital Technology Trust plc which has contracted with Polar Capital LLP for the provision of investment management services. Details are provided in Note 23.

The Board has approved a policy on the disclosure, approval and management of Directors' conflicts of interest. Under this policy Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. The register of conflicts is formally reviewed annually.

Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits received from third parties in their capacity as a Director of the Company which might give rise to a conflict or potential conflict with the Company's interests. No Director has declared receipt of any benefits in his capacity as a Director of the Company.

Remuneration Code

Disclosure of the Group's Remuneration Code will be made alongside its Pillar 3 disclosure which is available on the Group's website www.polarcapital.co.uk

Dividends

The Directors have declared two interim dividends in respect of the financial year ended 31 March 2015 amounting to 25.0p per share (2014: 25.0p per share).

The first interim dividend of 5.5p per share was paid on 16 January 2015 to shareholders on the register on 30 December 2014.

The second interim dividend of 19.5p per share will be paid on 17 July 2015 to shareholders on the register on 3 July 2015. The shares will trade ex dividend from 2 July 2015.

Capital structure

The capital structure of the Company is detailed in Note 17. Of the 89,286,273 ordinary shares (2014: 87,354,203) in issue at the year-end, ordinary shares 1,171,020 (2014: 1,710,365) are held by the Trustee of the Polar Capital Employee Benefit Trust for the benefit of the Company and employees. The Trustee has elected to waive all dividends in respect of any ordinary shares held by the Trustee and it does not vote the ordinary shares held by it.

On a show of hands at a general meeting of the Company every holder of an ordinary share present in person or by proxy shall have one vote and each ordinary share has one vote on a poll. There are no restrictions on the transfer of ordinary shares.

During the year the Company issued 1,932,070 (2014: 4,902,462) ordinary shares of which 417,089 (2014: 556,119) ordinary shares were in connection with the crystallisation of the J manager preference shares and 1,514,981 (2014: 1,877,382) ordinary shares were to cover the exercise of share options.

The Company is subject to the UK City Code on Takeovers and Mergers.

Substantial shareholdings

As at 19 June 2015, the Company had received the notices for the purposes of Part 5 of the FCA's Disclosure and Transparency Rules from the undernoted shareholders. The percentage voting rights is calculated based on the number of shares shown in the notice divided by 89,286,273, the number of shares in issue as at 19 June 2015:

	Number of ordinary shares shown in notice	% of voting rights held
R Gurner	8,290,066	9.28%
Caledonia Investments PLC	8,016,640	8.98%
XL RE Limited	7,000,000	7.84%
B J D Ashford-Russell	6,600,000	7.39%
T J Woolley	5,500,000	6.16%
Hargreave Hale	4,458,950	4.99%
Artemis Investment Management	4,045,000	4.53%

In all cases except as disclosed below the interest was held directly. The interests of Mr Ashford-Russell and BlackRock Inc are held wholly or partly indirectly.

There have been no changes notified to the Company since 31 March 2015 and the date of this report.

In addition the Board is aware of the following interests in the ordinary shares of the Company of over 3%:

BlackRock Inc	8,236,570	9.22%
Liontrust Asset Management	3,524,633	3.95%

Annual General Meeting ('AGM')

The AGM will be held at 16 Palace Street, London SW1E 5JD at 2:30pm on Wednesday 29 July 2015. Full details of the resolutions and explanations of each resolution are given in the separate notice of meeting sent to shareholders.

Corporate Governance

The Board of Directors recognises the importance of good corporate governance and intends that best practice is adopted and applied in so far as it is appropriate for a company and group of its size and stage of development. As an AIM traded Company the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) does not apply, however the Board intends to comply with the requirements of the Corporate Governance guidelines published by the Quoted Companies Alliance (the 'QCA Guidelines') for AIM companies and with certain of the principal requirements of the UK Corporate Governance Code. This report describes how the Company has applied the principles of good corporate governance throughout the year and steps which are being taken to develop the corporate policies.

The Board

Composition

The Directors who served during the year are listed on pages 14 and 15 together with their individual biographies.

In assessing the independence of non-executive Directors, the Board took account of their experience, character and judgement, and their dependence on, or relationships with the Group. In all cases the Board felt the Directors were independent in character and judgement, however the guidance issued on independence by both the QCA and the UK Corporate Governance Code, generally used to assess independence, consider the holding of a previous executive position within the Group, or a material business relationship with the Group including shareholdings, to impair the perceived independence of the non-executive Director.

In light of this the Board has decided that Mr Ashford-Russell should not be considered independent as he previously held an executive position with the Group and that Mr Cayzer-Colvin and Mr Bumeder should not be considered to be independent due to the fact that the companies that employ them have sizeable shareholdings and investments in the Group.

Mr Bartlam, Mr Aldous and Mr Thomas are considered independent non-executive Directors and are free from any associations or relationships with the Group or its investment funds except for the fees they receive as Directors and any shares they may hold in the Group.

Directors' Report and Corporate Governance Report continued

Role and responsibilities

The Board as a whole is responsible for the Group's objectives and policies and the proper governance of the Company. The Board meets regularly throughout the year and it met formally five times. There have also been a number of committee meetings to address other issues as they arose during the year. It has a formal agenda of items for consideration at each meeting but also convenes at additional times when required.

The Board provides overall strategic direction to the executive management, by monitoring the operating and financial results against plans and budgets; reviewing the performance of management; assessing the adequacy of risk management systems and monitoring their application; setting the Company's values and standards; and ensuring that the Company's obligations to its shareholders and others are understood and met. The posts of Chairman and Chief Executive are held by different Directors.

The Chairman's primary role is to ensure that the Board and individual Directors are able to operate efficiently by setting the agenda, style and tone of Board discussions to promote constructive debate and effective decision making.

The Chief Executive, Mr Woolley leads the executive management team which meets regularly and is primarily responsible for the implementation of the Board's policies and strategies, effective communication with shareholders and that all Board members develop an understanding of the views of investors and for managing the activities of the Company other than in relation to those matters specifically reserved to the Board or delegated to its committees.

The role of the non-executive Directors is to challenge constructively, and contribute to, the development of strategy; to scrutinise the performance of management in meeting agreed goals and objectives and monitor their performance; and through the various committees to satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

All Directors receive appropriate and timely information to ensure that they are properly briefed in advance of Board meetings and have unlimited access to the advice and services of the Company Secretary and other senior management should further information be required. The Company Secretary is responsible for advising the Chairman and the Board on governance matters.

A procedure has been established for non-executive Directors to have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. No such advice was requested during the year.

The Group maintains Directors' and officers' liability insurance, which is reviewed annually to ensure that cover is held at an appropriate level.

The Board has established guidelines requiring specific matters to be decided by the full Board of Directors, including material acquisitions and disposals, investments and capital projects. Matters that are reserved for the Board are generally forwarded to the Board for consideration with a recommendation from the executive management or appropriate committee.

Conflicts of Interests

The Companies Act 2006 ('the Act') imposes a duty on Directors to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company.

Only Directors not involved in the conflict or potential conflict participate in the authorisation process. Directors, in deciding whether to authorise a situation, take into account their duty to promote the Company's success. The Board as part of its year-end has considered the register of conflicts, any conditions imposed on such conflicts or potential conflicts and the operation of the notification and authorisation process. They concluded that the process has operated effectively during the period and no changes were required.

Directors' appointment, induction and training

All new Directors appointed by the Board are required to seek election by shareholders at the next general meeting of the Company following their appointment and subsequently all Directors are required to retire by rotation in accordance with the Articles.

Under the provisions of the Articles any Director who held office at the two previous AGMs is required to offer himself for reappointment at the next AGM. Mr Bumeder stands for re-appointment under this provision.

On appointment, new Directors are offered induction and training considered appropriate by the Board and subsequently as necessary.

Internal control

The Board has overall responsibility for the Group's system of internal control including financial operational compliance and risk management controls.

The Group's fund management activity is regulated by the Financial Conduct Authority of the United Kingdom (FCA) and the Securities Exchange Commission of the USA (SEC) and the Board has adopted procedures and controls designed to ensure its obligations under the FCA Rules and the Financial Services and Markets Act 2000 as well as the SEC Rules and the Investment Advisors Act are met.

The Group's system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives. It is recognised that such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit Committee, as part of its role, has reviewed and monitored the effectiveness of the internal controls for the year ended 31 March 2015 and concluded that there was a satisfactory process in place to identify and manage such risks.

The Board

The Board meets regularly and as required. There have been five Board meetings held in the year and there is a schedule of matters reserved for decision by the Board. All the Directors attended each Board meeting unless they were abroad on the date of the meeting with Mr Cayzer-Colvin missing one meeting.

Board Committees

The Board has created and delegated certain specific areas of responsibility to four standing committees. The full terms of reference of all the committees are published on the Company's website. The Board sees minutes of all committee meetings and the chairman of the committee reports to the Board on any significant matters. The Board also receives copies of all minutes from subsidiary companies for information.

Allotment Committee

This committee which is comprised of any two Directors was created to allot and issue shares arising from the exercise of Board approved share awards or shares arising from previously Board approved crystallisations of fund manager preference share arrangements.

Audit Committee

The Audit Committee formally meets at least three times a year. Only Committee members and observers are entitled to attend meetings, however the Chief Executive, the Finance Director and Chief Operating Officer, the Head of Compliance and the Chief Risk Officer and other Directors may be invited to attend for all or part of the meetings. The external Auditors of the Company will attend the meetings on a regular basis and will have unrestricted access to the Committee and its Chairman.

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, risk management, financial control and internal controls.

The Committee also has responsibilities for reviewing and monitoring risk and internal controls throughout the business.

The Audit Committee also considers and reports on the financial statements, going concern and is responsible for the appointment, replacement and work of the auditors. The Audit Committee Report on pages 20 to 22 describes how the Committee has discharged its duties.

Nomination Committee

The Nomination Committee is chaired by Mr Bartlam and the other members are Mr Aldous, Mr Cayzer-Colvin, Mr Thomas and Mr Bumeder. The Committee is responsible for all aspects of the appointment of Directors, succession planning and appointments to the Board, consideration and recommending the reappointment of retiring Directors of the Company together with evaluation of Directors' performance and effectiveness.

Remuneration Committee

The Remuneration Committee is chaired by Mr Thomas and other members of the Committee are Mr Cayzer-Colvin, Mr Bartlam and Mr Bumeder.

The Remuneration Committee meets as required and at least once each year. Other senior management and external advisers may be invited to attend meetings as the Remuneration Committee considers appropriate.

The Committee has general oversight of all remuneration arrangements for executive Directors and senior managers and it considers all material elements of remuneration policy, remuneration and incentives with reference to independent remuneration research and professional advice. Recommendations are made to the Board on the framework for executive remuneration including the design and implementation of equity based incentive schemes.

Relations with shareholders

The Company welcomes dialogue with institutional shareholders in order to achieve a mutual understanding of objectives. The Chief Executive and the Finance Director seek meetings with larger institutional shareholders and private client stockbrokers after the announcement of year end and half year results. The AGM also provides a forum for investors to meet the Directors, both formally and informally. The Chairmen of the Board's Committees will usually be available to answer questions at the AGM of the Company.

The Group's website (www.polarcapital.co.uk) contains regularly updated information regarding the Group's funds, and is where all announcements and shareholder reports are published.

Approved by the Board on 19 June 2015.

By order of the Board

Neil Taylor
Company Secretary

Audit Committee Report

The constitution and composition of the Audit Committee is given below. There have been no changes over the financial year to 31 March 2015.

The Committee is chaired by Mr Aldous and comprises, Mr Cayzer-Colvin and Mr Thomas . Mr Bartlam is also a member of the Committee in his role as Chairman of the Board not only due to his experience but also to enable him to be kept fully informed of any issues as they arise. The Board is satisfied that all members of the Committee have sufficient recent and relevant financial experience for the Committee to discharge it function effectively. The experience of the members of the Committee can be assessed from the Director's biographies set out on pages 14 and 15.

During the year the Committee met three times, with all members attending each meeting, and considered the following issues:

- the appropriateness and any changes to the accounting policies of the Group including any judgements required by such policies and the reasonableness of such;
- the scope of the annual audit and agreement with the external auditors of the key areas of focus;
- the reports from the external auditor concerning their audit of the annual financial statements of the Group;
- the financial disclosures contained in the annual reports to shareholders;
- reports from management and the auditor on the effectiveness of the Group's system of internal financial control including the risk map and ICAAP requirements;
- the independence and objectivity of the external auditor and the level and nature of non-audit services provided by them;
- the performance of the external auditor and the level of fees charged for their services;
- a policy for non-audit services which may be provided by the auditor in line with the FRC guidance; and
- a presentation from the executive management on the ability of the Group to continue operations for the foreseeable future and allow the Board to form an opinion on Going Concern.

Efficacy of audit process

The Audit Committee monitored and evaluated the effectiveness of the auditor and any changes in the terms of their appointment based on an assessment of their performance, qualification, knowledge, expertise and resources. The auditor independence was also considered along with other factors such as audit planning and accounting standards interpretations. This evaluation has been carried out throughout the year by meetings held with the auditor, review of the audit process and comments from management and others involved in the audit process.

The auditor is provided with an opportunity to address the Committee without the management present to raise any concerns or discuss any matters relating to the audit work and the cooperation of the management in providing any information and the quality of that information including the timeliness in responding to audit requests.

Consideration of the annual report and financial statements

The Committee performed its role through monitoring the integrity of the financial statements of the Group and the system of accounting to ensure compliance with relevant and appropriate accounting standards. The scope of the audit was agreed in advance with a focus on areas of audit risk and the appropriate level of audit materiality. The auditors reported on the results of the audit work to the Committee and highlighted any issue which the audit work had discovered or the Committee had previously identified as significant or material in context of the financial statements.

Consideration of the semi-annual report and financial statements

The Committee considered and reviewed the semi-annual report and financial statements which were not audited or reviewed by the external auditors to ensure consistency with the accounting policies used in the annual financial statements.

Non-audit work

The Audit Committee has discussed the specific non-audit activities provided by the auditors to ensure that none of these services would put the auditor in the position of auditing their own work. The Committee has also carried out a review of the non-audit services to satisfy itself that these are provided within the policy and have been delivered in an efficient and cost effective way. The Audit Committee believes the objectivity and independence of the auditors is maintained, notwithstanding that non-audit work may be undertaken.

Overview of Risk

The Audit Committee has responsibility to assist the Board in maintaining an effective internal control environment and to that end examines and receives reports on the Group's regulatory capital adequacy requirements, compliance, and control procedures and systems for managing risks arising from the operation of the business, its financial position or the regulatory environment which governs it.

Risk is managed throughout the business and is embedded into the business in three key areas covering Portfolio and Investment Risks, Fund Management, Business Support Areas & Operational Risk Management and Compliance. The Group has established a Risk Map which seeks to identify, quantify, measure and mitigate as far as possible those risks through a Risk Monitoring Programme ('RMP').

The Chief Compliance Officer ('CCO') manages the overall RMP and risk maps of all business areas. The RMP sets the framework under which risks are managed and controlled in adherence with the risk strategy outlined by the Board. To capture all risks to the Group, four business areas (Fund Management, Sales & Marketing, Overseas Offices and Infrastructure) are assessed against eight macro control objectives The CCO reports the outcome of the RMP to the Group's Audit Committee as part of the ICAAP.

The Chief Risk Officer monitors risk and chairs the Internal Investment Risk Committee which sits on a monthly basis to review individual fund and group level risks and ensures that fund managers do not exceed the risk and investment parameters.

The Chief Operating Officer ('COO') has responsibility for operational risk. Risks are identified, assessed and monitored. The COO chairs the Operational Risk Committee which sits on a monthly basis.

Appointment of auditors and tenure

The Committee also considers by way of meetings and reports, the appointment, remuneration and work of the auditor.

Ernst & Young LLP have provided audit services to the Group from 2002 and these have continued through the period from its initial public offering in February 2007 to date. The Audit Committee is aware of the changes being proposed for public interest enterprises including UK listed companies on regulated markets by the European Parliament and the changes to mandatory rotation of audit firms. While the Committee is mindful of such matters the Company is not subject to such requirements and the Committee is satisfied with the performance of the auditor and does not consider it necessary to put the external audit out to tender.

There are no contractual obligations restricting the choice of external auditor.

The Committee having considered the above factors consider it appropriate to recommend to the Board and shareholders that Ernst & Young LLP be reappointed as auditors at the AGM.

Ernst & Young LLP have agreed to offer themselves for reappointment as auditors of the Group in accordance with section 487(2) of the Companies Act 2006 and a resolution requesting approval of their reappointment and to authorise the Directors to determine their remuneration will be presented at the AGM.

Audit Committee Report continued

Significant Issues in Relation to the Financial Statements

The Audit Committee held discussions with Group management and the auditors with regards to:

- The significant judgements and estimation uncertainities described in Note 1.20; and
- The reclassification of the seed investments under IAS 39 described in Note 1.21

Following these discussions and its review of the treatments applied and associated financial statement disclosures, the audit committee was satisfied that these matters had been appropriately addressed.

Conclusions in respect of the Annual Report and Financial Statements

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report is fair, balanced and understandable, the Board has requested that the Committee advise on whether it considers these criteria satisfied. In so doing the Committee has given consideration to the following:

- The comprehensive control framework over the production of the Annual Report, including the verification processes in place to deal with the factual content;
- The extensive levels of review are undertaken in the production process, by the management and the Committee; and
- A clean SOC1 report confirming the effectiveness of internal control.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 March 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on these findings to the Board.

Hugh Aldous
Chairman of Audit Committee

19 June 2015

Remuneration Committee Report

The constitution and composition of the Remuneration Committee is given on page 19.

Report of the Chairman of the Remuneration Committee

The Company is not subject to the large and Medium Sized Companies and Group (Accounts and Reports) (amendment) Regulations 2013 as it is not a company which is listed on a regulated market. It therefore does not have to prepare a Policy Report or Implementation Report which are subject to shareholder approval by way of ordinary resolutions proposed at the annual general meeting. However the Committee wishes to ensure that shareholders have a clear understanding of the remuneration paid by the Company and how the Committee has discharged it obligations.

The Remuneration Committee has met twice over the past year to consider:

- recommendations from the executive for remuneration packages for existing and new fund managers;
- recommended salary levels for 2015 and bonus payments for 2014 across the Group; and
- the remuneration of Mr Woolley and Mr Mansell as executive directors of the Group.

The Committee when considering remuneration arrangements also takes into account the packages offered to other staff. During the year the Remuneration Committee received support from the Chief Operating Officer and the Company Secretary.

Executive Directors salary and bonus awards

The Committee has agreed the following changes in respect of the Executive Directors salaries for the year commencing 1 April 2015 and cash bonus payments in respect of the financial year ended 31 March 2015.

Mr Woolley

There will be no change in Mr Woolley's base salary of £350,000pa for the year commencing 1 April 2015.

He received a bonus of £250,000 in respect of the financial year ended 31 March 2015.

Mr Mansell

There will be no change in Mr Mansell's base salary of £275,000pa for the year commencing 1 April 2015.

He received a bonus of £225,000 in respect of the financial year ended 31 March 2015.

Executive Directors Terms of Appointment

Executive Directors are employed under continuing contracts of employment that can be terminated by either party under notice provisions of up to 12 months.

Remuneration

Each executive Director receives a basic salary determined by the Committee and is considered for a discretionary bonus based on a general range of factors including the overall success of the Company and personal contribution. Executive Directors also benefit from medical, life and permanent health insurance. They also participate in the Company's pensions arrangements. The Company's policy on pension provision is to provide a fixed percentage of 10% of basic salary to be paid into personal pension arrangements for all staff and Directors or a payment in lieu of being paid to his pension arrangements.

The total remuneration paid to the executive Directors who served during the year was as follows:

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
T J Woolley		
Basic salary	350,000	250,000
Bonus	250,000	500,000
Taxable benefits	1,300	3,200
Pension	28,000	20,000
	629,300	773,200
J B Mansell		
Basic salary	275,000	225,000
Bonus	225,000	450,000
Taxable benefits	3,200	4,700
Pension	–	18,000
	503,200	697,700

Further details of Directors' remuneration, disclosable under the Companies Act, are contained in Note 6.

Remuneration Committee Report continued

Non-executive Directors Terms of Appointment

The non-executive Directors have letters of appointment, setting out the terms and conditions of their appointment and their expected time commitment. It is the Company's policy that non-executive Directors should be appointed for an initial period of three years (from the next general meeting following their initial appointment in the case of new non-executive Directors) and that they may be re-appointed for further terms of three years each. Re-appointment at the end of such periods should not be considered automatic and each Director's contribution will be carefully assessed. The letters of appointment provide for termination of the Director's appointment under certain circumstances and in all cases without any compensation.

Remuneration

Non-executive Directors' fees are determined by the full Board. The total remuneration paid to the non-executive Directors who served during the year was as follows:

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
T H Bartlam	75,000	70,000
H G C Aldous	37,500	35,000
B J D Ashford-Russell	58,200	159,700#
J M B Cayzer-Colvin*	24,000	20,000
G Bumeder*	20,000	20,000
M Thomas	35,000	30,000
	249,700	334,700

* Under the terms of their appointment the Director's fees may be paid to their principal employers if so elected or to their designee. The fee for Mr Cayzer-Colvin was paid to Caledonia Investments plc and the fee for Mr Bumeder was paid to XL Group plc.

included discretionary bonus of £100,000

None of the non-executive Directors have any ongoing direct financial or contractual interests in the Company other than their fees and shareholdings as disclosed in this report.

Directors' interests in the shares and options of the Company

The interests of those Directors who were in office at 31 March 2015, the end of the financial year and 31 March 2014:

	31 March 2015	31 March 2014
T H Bartlam	50,000	50,000
H G C Aldous	40,000	40,000
B J D Ashford-Russell		
beneficial	6,350,000	6,350,000
non beneficial	250,000	250,000
J M B Cayzer-Colvin	4,250	4,250
J B Mansell		
beneficial	1,712,000	1,712,000
non beneficial	160,000	160,000
G Bumeder	–	–
M Thomas	4,000	4,000
T J Woolley	5,500,000	5,500,000

There have been no changes in the interests of the Directors who were in office at 31 March 2015 in the shares of the Company between 31 March 2015 and 19 June 2015.

Options

Options to acquire ordinary shares held by the Directors and changes there to during the year ended 31 March 2015 and up to 19 June 2015 are described below:

T J Woolley

Options Granted

On 20 December 2010 Mr Woolley was granted a share option over 1,000,000 ordinary shares at an exercise price of 145p per share. The option is not subject to any performance conditions and is exercisable in full from 31 March 2014.

On 27 June 2011 Mr Woolley was granted a share option over 600,000 ordinary shares at an exercise price of 191.7p per share. The option is not subject to any performance conditions and is exercisable in full from 27 June 2015.

On 4 July 2013 Mr Woolley was granted a share option over 500,000 ordinary shares at an exercise price of 388.0p per share. The option is not subject to any performance conditions and is exercisable in full from 4 July 2017.

Options Exercised and Outstanding

No options were exercised by Mr Woolley during the year and as at 31 March 2015 1,000,000 options out of the total grant of 2,100,000 are exercisable.

J B Mansell

Options Granted

On 22 January 2010 Mr Mansell was granted a share option over 1,000,000 ordinary shares at an exercise price of 91.5p per share. The option is not subject to any performance conditions and is exercisable in full from 31 March 2014.

On 26 July 2011 Mr Mansell was granted a share option over 350,000 ordinary shares at an exercise price of 197.5p per share. The option is not subject to any performance conditions and is exercisable in full from 26 July 2015.

On 4 July 2013 Mr Mansell was granted a share option over 350,000 ordinary shares at an exercise price of 388.0p per share. The option is not subject to any performance conditions and is exercisable in full from 4 July 2017.

Options Exercised and Outstanding

On 5 March 2014 when the share price was 475p per ordinary share, Mr Mansell exercised an option over 500,000 shares of the share options granted on 22 January 2010.

As at 31 March 2015 Mr Mansell had 500,000 options exercisable out of a total grant of 1,200,000.

Conditions of option awards

The options granted to Mr Woolley and Mr Mansell are subject to the requirement that in order to exercise the option the option holder must be employed by the Company on the relevant vesting date subject to certain defined 'good leaver' situations. The options will lapse on the tenth anniversary of the date of grant. The options have been issued in accordance with the rules of the Polar Capital Equity Incentive Plan, by the use of the provisions relating to Equity Settled Share Appreciation Rights ('ESARS'). The use of the ESARS provisions allows the Company to issue to the option holder only the number of shares that would equate to the number of shares over which the option becomes exercisable less the number of shares that would have needed to be sold to fund the purchase of that number of shares on the exercise date.

Share prices over the financial year

The shares have traded at prices between 369.25p (20 February 2015) and 525p (11 June 2014) per share. The share price on 31 March 2015 was 370p per share.

Michael Thomas

Chairman of Remuneration Committee

19 June 2015

Statement of Directors' Responsibilities in Relation to the Group's Financial Statements

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice – 'UK GAAP').

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Group and parent company and the financial performance and cash flows of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS and UK GAAP respectively is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance; and
- state that the Group and parent company have complied with IFRS and UK GAAP, respectively, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to the Auditors

Each of the Directors at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Group's auditors are unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that he is obliged to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of the information.

Going Concern

The Board with guidance from the Audit Committee has made an assessment of the Group's position as at 31 March 2015 and the factors impacting the forthcoming year are set out in the Strategic Report and in the Directors' Report which incorporates the corporate governance statements.

The financial position of the Group, its cash flows, and its liquidity position are described in the Financial Review on pages 8 to 10. Note 22 to the financial statements include the Group's policies and process for managing its capital; its financial risk management objectives; details of financial instruments; and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

The Group has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future despite the continued uncertain economic outlook. Accordingly the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Tom Bartlam
For and on behalf of the Board

19 June 2015

Independent Auditors' Report to the Members of Polar Capital Holdings plc

For the year ended 31 March 2015

We have audited the financial statements of Polar Capital Holdings Plc for the year ended 31 March 2015 which comprise the Consolidated Statement of Profit or loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Company Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Policies (UK GAAP).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK GAAP and as applied in accordance with the provisions of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Independent Auditors’ Report to the Members of Polar Capital Holdings plc continued

For the year ended 31 March 2015

Opinion on other matter prescribed by the Companies Act 2006 In our opinion:

- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Price

(Senior statutory auditor) For and on behalf of Ernst & Young LLP, Statutory Auditor
London

19 June 2015

Consolidated Statement of Profit or Loss

For the year ended 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Revenue	2	96,225	91,807
Other income	3	801	2,061
Gross income		97,026	93,868
Commissions and fees payable		(8,977)	(6,327)
Net income		88,049	87,541
Operating costs before share-based payments		(54,366)	(53,274)
Operating profit before share-based payments, amortisation/impairment and tax		33,683	34,267
Share-based payments	21	(2,557)	(1,468)
Profit for the year before tax	4	31,126	32,799
Taxation	7	(7,251)	(7,765)
Profit for the year attributable to ordinary shareholders		23,875	25,034
Basic earnings per ordinary share	9	27.46p	30.78p
Diluted earnings per ordinary share	9	25.40p	27.43p
Adjusted diluted earnings per ordinary share (Non GAAP measure)	9	28.12p	29.04p

All of the items in the above statements are derived from continuing operations.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Profit for the year attributable to ordinary shareholders		23,875	25,034
Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods			
Net gain on the revaluation of available-for-sale financial assets	3.2	–	(384)
Reclassification of losses on available for sale financial assets	3.2	285	–
Deferred tax effect		(57)	80
		228	(304)
Net movement on cash flow hedges	3.2	(2,311)	1,859
Current tax effect		–	(129)
Deferred tax effect		552	(353)
		(1,759)	1,377
Exchange differences on translation of foreign operations		5	–
Total comprehensive income for the year, net of tax, attributable to ordinary shareholders		22,349	26,107

The notes on pages 34 to 60 form part of these financial statements.

Consolidated Balance Sheet
As at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Non-current assets			
Property, plant and equipment	10	2,007	94
Deferred tax assets	15	5,136	7,472
Total non-current assets		7,143	7,566
Current assets			
Available for sale financial assets	1.21, 11	–	43,912
Assets at fair value through profit or loss	1.21, 11	38,071	–
Assets held for sale	11	13,614	–
Trade and other receivables	13	9,334	9,675
Other financial assets	11	–	654
Cash and cash equivalents	14	41,385	47,041
Total current assets		102,404	101,282
Total assets		109,547	108,848
Non-current liabilities			
Deferred tax liabilities	15	102	221
Current liabilities			
Trade and other payables	16	26,276	29,484
Other financial liabilities	11	5,357	1,965
Current tax liabilities		2,581	3,008
Total current liabilities		34,214	34,457
Total liabilities		34,316	34,678
Net assets		75,231	74,170
Capital and reserves			
Issued share capital	17.1	2,232	2,184
Share premium		16,715	16,288
Investment in own shares	17.2	(962)	(1,017)
Capital and other reserves		6,665	9,650
Retained earnings		50,581	47,065
Total equity – attributable to ordinary shareholders		75,231	74,170

The notes on pages 34 to 60 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 19 June 2015.

Hugh Aldous
Chairman of the Audit Committee

John Mansell
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Note	Issued share capital £'000	Share premium £'000	Investment in own shares £'000	Capital reserves £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2013		2,062	16,094	(1,017)	219	3,629	32,776	53,763
Profit for the year		–	–	–	–	–	25,034	25,034
Other comprehensive income		–	–	–	–	1,073	–	1,073
Total comprehensive income		–	–	–	–	1,073	25,034	26,107
Dividends	18	–	–	–	–	–	(12,175)	(12,175)
Issue of shares	17	46	194	–	–	–	(38)	202
Issue of share capital against preference shares		76	–	–	(76)	–	–	–
Share-based payment	21	–	–	–	–	–	1,468	1,468
Current tax in respect of employee share options		–	–	–	–	1,874	–	1,874
Deferred tax in respect of employee share options		–	–	–	–	2,931	–	2,931
As at 1 April 2014		2,184	16,288	(1,017)	143	9,507	47,065	74,170
Profit for the year		–	–	–	–	–	23,875	23,875
Other comprehensive income		–	–	–	–	(1,526)	–	(1,526)
Total comprehensive income		–	–	–	–	(1,526)	23,875	22,349
Dividends	18	–	–	–	–	–	(22,891)	(22,891)
Issue of shares	17	38	427	55	–	–	(25)	495
Issue of share capital against preference shares		10	–	–	(10)	–	–	–
Share-based payment	21	–	–	–	–	–	2,557	2,557
Current tax in respect of employee share options		–	–	–	–	1,565	–	1,565
Deferred tax in respect of employee share options		–	–	–	–	(3,014)	–	(3,014)
As at 31 March 2015		2,232	16,715	(962)	133	6,532	50,581	75,231

Further information relating to Reserves is disclosed in note 17 to the financial statements.

The notes on pages 34 to 60 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
Cash flows generated from operating activities			
Cash generated from operations	20	27,300	43,715
Proceeds from sale of assets at fair value through profit or loss		10,354	–
Purchase of assets at fair value through profit or loss	11	(13)	–
Tax paid		(6,454)	(6,140)
Net cash inflow generated from operating activities		31,187	37,575
Investing activities			
Interest received		18	39
Purchase of property, plant and equipment		(1,995)	(68)
Proceeds from sale of available for sale financial assets		–	56,257
Purchase of available for sale financial assets	11	–	(65,730)
Purchase of assets held for sale	11	(12,470)	–
Net cash outflow used in investing activities		(14,447)	(9,502)
Financing activities			
Equity dividends paid	18	(22,891)	(12,175)
Issue of share capital		440	203
Receipts in relation to investment in own shares		55	–
Net cash outflow from financing activities		(22,396)	(11,972)
Net increase in cash and cash equivalents		(5,656)	16,101
Cash and cash equivalents at start of the year		47,041	30,940
Cash and cash equivalents at end of the year		41,385	47,041

The notes on pages 34 to 60 form part of these financial statements.

Company Balance Sheet
At 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
Fixed assets			
Investments	12	1,017	1,017
Current assets			
Debtors	13	26,510	26,301
Cash and short-term deposits		12	92
		26,522	26,393
Creditors – amounts falling due within one year			
Other creditors		–	–
		–	–
Net current assets		26,522	26,393
Net assets		27,539	27,410
Capital and reserves			
Called up share capital	17.3	2,232	2,184
Share premium account	17.3	16,715	16,288
Retained earnings	17.3	9,179	9,490
Reserves	17.3	(587)	(552)
Shareholders' funds		27,539	27,410

The notes on pages 34 to 60 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2015

1 Principal Accounting Policies

General

Polar Capital Holdings plc (the 'Company') is a public limited company registered in England and Wales whose shares are traded on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The principal accounting policies applied in the preparation of the consolidated financial statements of the Company and its subsidiaries (collectively, the Group) for the year ended 31 March 2015 are set out below.

1.1 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, modified by the measurement at fair value of financial instruments at fair value through profit or loss and derivative financial instruments. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise stated.

The Company financial statements have been prepared in accordance with UK GAAP and under the historical cost convention. No profit or loss account is presented for the Company as permitted under section 408 of the Companies Act 2006.

1.2 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at 31 March 2015. Subsidiaries are those entities over which the Group has control. The Group controls an investee if, and only if, the Group has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect returns.

The Group considers all relevant facts and circumstances in assessing whether it is acting as an agent or a principal for its holdings in its seed capital investments. The Group considers the overall relationship between itself and an investee including the scope of its decision making authority over the investee, the removal rights held by other parties, the remuneration to which it is entitled and its overall exposure to variability of returns from its holdings. Where the Group concludes it is acting as principal the entity is consolidated.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company and where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.3 Foreign currency

The Group's consolidated financial statements are presented in Sterling which is also the functional currency for the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences are taken to the statement of profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations whose functional currency is not Sterling are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at average exchange rates for the accounting period. Exchange differences arising, if any, are taken to other comprehensive income.

1.4 Income recognition

Revenue

Revenue represents fees receivable (excluding value added tax) during the period for discretionary investment management services. Management fees and performance fees are recognised when receivable. Performance fees, which are based on the investment performance achieved for certain client portfolios relative to predefined benchmarks, are recognised as revenue at the end of the period over which the performance is measured.

Interest receivable and similar income

Interest receivable is recognised on an accruals basis using effective interest method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

1.5 Commissions and fees payable

Commissions and fees payable to third parties are in respect of the management of investment management contracts. Commissions and distribution fees payable to third parties are recognised over the period for which the service is provided.

1.6 Operating leases

Amounts payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the lease term.

1.7 Pensions

The Group operates a defined contribution pension scheme covering the majority of its staff. The costs of the pension scheme are charged to the statement of profit or loss in the period in which they are incurred.

1.8 Share-based payments

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The cost of equity-settled transactions is recognised, together with an increase in equity reserves, on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

Notes to the Financial Statements continued

For the year ended 31 March 2015

1 Principal Accounting Policies continued

1.9 Taxation

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax relating to items charged or credited directly to equity is also dealt with in equity.

Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1.10 Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid.

1.11 Current versus non-current classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reposting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.12 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, such as the employee share options, the fair value is determined using appropriate valuation techniques that take into account the terms and conditions upon which the options were granted and utilise observable market data as inputs.

1.13 Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, less depreciation and accumulated impairment provisions. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful economic life. The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the statement of profit or loss.

Depreciation is charged from the date that the asset is brought into use on a straight line basis as follows:

Leasehold improvements	10%
Computer equipment	33%
Office furniture	33%

1.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount, being the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a post-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and it is written down to its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Notes to the Financial Statements continued

For the year ended 31 March 2015

1 Principal Accounting Policies continued

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

The Group's financial assets include financial assets at fair value through profit or loss, trade and other receivables, cash and equivalents and derivative financial instruments.

Financial assets are classified as assets at fair value through profit or loss (as held for trading or designated as assets at fair value through profit or loss), loans and receivables or available for sale. The classification adopted by the Group depends on the purpose for which the financial assets were acquired and is determined at initial recognition.

Financial assets are initially recognised at fair value, being the consideration given, plus, any directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss where transaction costs are immediately recognised in the consolidated statement of profit or loss.

Purchases and sales of financial assets are recognised at trade date, being the date when the Group commits to purchase or sell the asset.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through the profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Group's investments in the funds that it manages are classified as financial assets at fair value through profit or loss – held for trading (Note 1.21). Such assets are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised in the statement of profit or loss. Financial assets at fair value through profit or loss are derecognised when such assets are sold and the Group has transferred substantially all risks and rewards of ownership.

ii) Available for sale financial assets

After initial measurement available for sale financial assets are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised as other comprehensive income in other reserves. Available-for-sale financial assets are derecognised when such assets are sold and the Group has transferred substantially all risks and rewards of ownership. When derecognition occurs, a realised gain or loss is recognised in the income statement, calculated as the difference between the net sales proceeds and the original cost of the financial asset. Any fair value gains or losses previously recognised in the consolidated statement of comprehensive income are taken to the consolidated income statement as part of this calculation of the gain or loss arising on derecognition.

The Group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of a financial asset classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered as objective evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement – is removed from other reserves and recognised in the income statement. Impairment losses recognised in the income statement, if subsequently reversed, are taken through other comprehensive income and not the income statement.

iiI) Trade and other receivables

Trade receivables are initially recognised at fair value, and are subsequently carried at the lower of original fair value and their recoverable amount. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the statement of profit or loss.

iv) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(b) Financial liabilities

The Group's financial liabilities include trade and other payables and derivative financial instruments. All financial liabilities are recognised initially at fair value and are classified as appropriate. A financial liability ceases to be recognised when the relevant obligation has been discharged, cancelled or has expired.

i) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost.

ii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial liabilities classified at fair value through profit or loss are carried on the Balance Sheet at fair value with net changes in fair value recognised in the statement of profit or loss.

(c) Derivative financial instruments and hedge accounting

The Group uses forward currency contracts to hedge the risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are classified as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Forward currency contracts used for currency hedging purposes are treated as cash flow hedges and the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is taken to the statement of profit or loss. Amounts recognised as other comprehensive income are transferred to the statement of profit or loss when the hedged items affect profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.16 Assets held for Sale

The Group classifies assets as held for sale if their carrying amount will be recovered principally through a sale, which is highly probable and the asset is available for immediate sale, rather than through continuing use. Such assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

Assets and liabilities classified as held for sale are presented separately as current items in the Consolidated Balance Sheet.

Notes to the Financial Statements continued

For the year ended 31 March 2015

1 Principal Accounting Policies continued

1.17 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

1.18 Own shares held

The Group operates an employee benefit trust for the purpose of satisfying certain retention awards to employees. Own shares held are equity shares of the Company acquired and held by this trust. Such shares are recognised at cost and are presented in the Group balance sheet as a deduction from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own shares.

1.19 Segment reporting

The financial information provided to the Chief Executive is on an aggregated basis. Strategic and financial management decisions are determined centrally and, on this basis, the Group is a single segment investment management business.

1.20 Judgements and key sources of estimation uncertainty

The key judgments and sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities and expenses in future periods are as follows:

Share-based payments

The estimation of share-based payment cost requires the selection of an appropriate valuation model, consideration of an appropriate input criteria for the model and an estimate as to the number of awards that will vest.

Deferred tax

Deferred tax is recognised based on differences between the carrying value of assets and liabilities and the tax value of assets and liabilities. Deferred tax assets are only recognised to the extent that the Group estimates that future taxable profits will be available to offset them.

Assets held at fair value through profit or loss

The Group holds less than 50% of the voting rights of the investments it holds in Polar Capital managed funds. These investments are not consolidated as the Group acts only in the capacity of an agent and the funds are governed by separate boards who have the right to remove Polar Capital as investment manager.

Impairment of financial assets

The Group reviews any decrease in value of financial assets on a regular basis and exercises judgement in determining whether such a decrease in value is either significant or prolonged and therefore an impairment of the asset.

1.21 Reclassification

On initial designation of the Group's seed investments in a prior period these were, at the time, classified as available for sale with subsequent fair value movements recognised in equity. As these seed investments are always acquired for the purpose of selling or repurchasing in the near term these have this year been re-classified as financial assets at fair value through profit or loss and fair value movements recognised in the statement of profit or loss.

This reclassification does not give rise to adjustments that are material, either individually or cumulatively, in the Group's financial statements for comparative periods and accordingly the adjustment has not been made to the prior period.

1.22 Changes in accounting policies and disclosures

The following new and revised standards and interpretations have been adopted in the current year:

Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	The amendment clarifies the requirements for offsetting financial assets and liabilities on the balance sheet.
IFRS 10: Consolidated Financial Statements	IFRS 10 provides a new, broader definition of control as the basis of consolidation.
IFRS 12: Disclosures of Interests in Other Entities	IFRS 12 sets out the requirements for disclosures relating to interest in subsidiaries, joint arrangements, associates and structured entities.
Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	The amendment clarifies the requirements for offsetting financial assets and liabilities on the balance sheet.
Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.
IFRS 11: Joint Arrangements	IFRS 11 provides revised guidance for entities accounting for interests in jointly controlled entities.
IFRIC 21 Levies	IFRIC 21 sets out when to recognise a liability for a levy imposed by legislation.

The adoption of the remaining new and revised standards and interpretations has not had an impact on the Group's financial statements.

1.23 Standards and amendments not yet effective

The following new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2014 or later periods, but the Group has decided not to early adopt them:

Standards issued but not yet effective	Summary	Effective for period beginning on or after
IFRS 15: Revenue from Contracts with Customers	IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers and provides a more structured approach to measuring and recognising revenue.	1 January 2018
IFRS 9: Financial Instruments: Classification and Measurement	IFRS 9 introduces revised measurement and classification criteria for financial assets and liabilities.	1 January 2018
Annual improvements to IFRSs 2010–2012 Cycle	These improvements address changes to: – IFRS 2 Share based payments – IFRS 3 Business Combinations – IFRS 8 Operating Segments – IFRS 13 Fair Value Measurement – AS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – IAS 24 Related Party Disclosures	1 July 2014
Annual improvements to IFRSs 2011–2013 Cycle	These improvements address changes to: – IFRS 3 Business Combinations – IFRS 13 Fair Value Measurement – IAS 40 Investment Property	1 July 2014

The Group does not expect that the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

Notes to the Financial Statements continued

For the year ended 31 March 2015

2. Operating Segments

The Group is a specialist investment management group offering professional and institutional investors a range of geographical and sector investment opportunities. The Group's assets under management are separated into products and services but as the strategic and financial management decisions are determined centrally, by the Chief Executive, the Group only has one class of business, being the provision of investment management and advisory services. The Group's revenue generating operations are in London, with small offices in Tokyo, Jersey, Connecticut and Geneva that do not generate any revenue.

2.1 Geographical analysis of income (based on the residency of source)

	31 March 2015 £'000	31 March 2014 £'000
UK	10,054	9,213
Ireland	70,952	61,898
Cayman	13,592	18,952
Europe	1,467	1,718
Profit on forward currency contracts	160	26
	96,225	91,807

2.2 Analysis of income by type of fees

	31 March 2015 £'000	31 March 2014 £'000
Investment management fees	83,811	72,586
Investment performance fees	12,254	19,195
Profit on forward currency contracts	160	26
	96,225	91,807

3. Components of Other Income and Other Comprehensive Income

3.1 Components of other income

	31 March 2015 £'000	31 March 2014 £'000
Interest income on cash and cash equivalents	18	13
Net loss on financial instruments at fair value through profit or loss – short positions	(2,911)	(1,505)
Net (loss)/gain on forward currency contracts	(2,163)	527
Net gain on available for sale financial assets	–	3,026
Net gain on financial assets at fair value through profit or loss – seed investments	4,713	–
Net gain on assets held for sale	1,144	–
	801	2,061

3.2 Components of other comprehensive income

	31 March 2015 £'000	31 March 2014 £'000
Available for sale financial assets:		
Gains arising during the year	–	2,642
Reclassification adjustments for losses/(gains) included in the statement of profit or loss	285	(3,026)
	285	(384)
Cash flow hedges – Forward currency contracts:		
(Losses)/ gains arising during the year	(1,657)	2,670
Reclassification adjustments for gains included in the statement of profit or loss	(654)	(811)
	(2,311)	1,859

No ineffective gains or losses arose on cash flow hedges during the year.

Notes to the Financial Statements continued
For the year ended 31 March 2015

4. Profit Before Taxation

4.1 This is stated after charging:

	31 March 2015 £'000	31 March 2014 £'000
Staff costs including partnership profit allocations	44,978	45,654
Depreciation	82	59
Auditors' remuneration (Note 4.2)	172	168
Operating lease rentals – land and buildings	761	912
Operating lease rentals – other	1,659	1,021

4.2 Auditors' remuneration:

	31 March 2015 £'000	31 March 2014 £'000
Audit of Group financial statements	48	46
Other fees		
– local statutory audits of subsidiaries	37	36
– GIPS Review	22	40
– internal controls review	47	46
Auditors' remuneration	154	168

5. Staff Costs Including Directors' Emoluments

	31 March 2015 £'000	31 March 2014 £'000
Salaries	12,156	10,721
Social security costs	1,100	899
Pension costs	453	382
Partnership profit allocations	28,712	32,184
Share-based payments (Note 21)	2,557	1,468
	44,978	45,654

Pension costs outstanding at the year-end amounted to nil (2014: nil).

	31 March 2015	31 March 2014
Average number of partners and full time employees, including executive directors:		
Fund Management	49	45
Administration	55	47
	104	92

All employees are directly or indirectly engaged in the Group's business.

6. Directors' Emoluments

	31 March 2015 £'000	31 March 2014 £'000
Total emoluments including partnership profit allocations	1,354	1,768
Company contributions to money purchase pension schemes	28	38
The amounts in respect of the highest paid Director are as follows:		
Emoluments	600	753
Company contributions paid to money purchase scheme	28	20

The number of Directors who are accruing benefits under the Company pension scheme is as follows:

	31 March 2015	31 March 2014
Defined contribution scheme	1	2

The total remuneration paid to Executive Directors who served during the year is disclosed in the Remuneration Committee Report.

Director's emoluments include both salaries and partnership profit allocations earned through Polar Capital LLP. Also included are sums paid to third parties in respect of Directors' services amounting to £44,000 (2014: £40,000).

7. Taxation

With effect from 1 April 2014 the UK corporation tax rate changed from 23% to 21%. The major components of Corporation tax for the years ended 31 March 2015 and 2014 are:

	31 March 2015 £'000	31 March 2014 £'000
UK Corporation tax:		
UK Corporation tax on profits of the year	7,565	8,194
Adjustments in respect of prior periods	(30)	44
Total current tax	7,535	8,238
Foreign Tax:		
Current year	19	12
Prior year	(2)	(8)
Deferred tax:		
Originating and reversal of temporary differences	(320)	(505)
Rate change adjustment	–	133
Prior year adjustment	19	(105)
Total tax	7,251	7,765

Notes to the Financial Statements continued

For the year ended 31 March 2015

7. Taxation continued

Reconciliation of tax charge

The tax assessed on the profit on ordinary activities during the year differs from the standard rate of corporation tax of 21% (2014: 23%). The differences are reconciled below:

	31 March 2015 £'000	31 March 2014 £'000
Profit on ordinary activities before taxation	31,126	32,799
Tax on profit on ordinary activities at standard rate of 21% (2014: 23%)	6,536	7,543
Adjustments in respect of prior periods	(13)	(88)
Rate change adjustment	18	133
Disallowed expenses	221	37
Other – share-based payments	489	140
Total tax	7,251	7,765

8. Subsidiary Undertakings

Details of the Company's subsidiary undertakings as at 31 March 2015 are as follows:

Principal subsidiary undertakings	Country of incorporation	Natural of business and registration
Polar Capital Partners Limited	UK	Services company
Polar Capital Property Limited	UK	Services company
Polar Capital Secretarial Services Limited	UK	Dormant
Polar Capital Partners (Jersey) Limited	Jersey	Investment management
Polar Capital (America) Corporation	USA	Investment advisory
Polar Capital Limited Liability Partnership	UK	Investment management

All of the above entities are wholly owned, except for Polar Capital LLP in which Polar Capital Partners Limited has contributed 99.5% of the capital. All subsidiaries are owned indirectly, other than Polar Capital Partners Limited.

9. Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share is based on the profit for the year of £23,873,443 (2014: £25,034,315) and on 86,924,177 (2014: 81,333,171) ordinary shares, being the weighted number of ordinary shares.

The calculation of diluted earnings per ordinary share is based on the profit of the year of £23,873,443 (2014: £25,034,315) and 94,000,334 (2014: 91,273,900) ordinary shares, being the weighted average number of ordinary shares allowing for all options of 7,076,157 (2014: 9,940,725) which are dilutive.

The calculation of adjusted earnings per ordinary share is based on profit for the year of £23,873,443 but adjusted for the cost of share-based payments of £2,557,462 (2014: profit of £25,034,315 adjusted for the cost of share-based payments of £1,467,900) and 94,000,334 (2014: 91,273,900) ordinary shares being the weighted average number of ordinary shares allowing for all dilutive options.

As at 31 March 2015, the fully diluted number of ordinary shares which would be in issue is 95,191,410 (2014: 95,584,600) shares, if all outstanding options were exercised.

10. Tangible Fixed Assets

2015	Leasehold Improvements £'000	Computer Equipment £'000	Office Furniture £'000	Total £'000
Cost				
As at 1 April 2014	711	573	197	1,481
Additions	1,629	118	248	1,995
Disposals	–	–	–	–
As at 31 March 2015	2,340	691	445	3,476
Depreciation				
As at 1 April 2014	706	504	177	1,387
Charge for the year	11	52	19	82
Disposals	–	–	–	–
As at 31 March 2015	717	556	196	1,469
Net book value at 31 March 2015	1,623	135	249	2,007

2014				
Cost				
As at 1 April 2013	711	521	181	1,413
Additions	–	52	16	68
Disposals	–	–	–	–
As at 31 March 2014	711	573	197	1,481
Depreciation				
As at 1 April 2013	702	459	167	1,328
Charge for the year	4	45	10	59
Disposals	–	–	–	–
As at 31 March 2014	706	504	177	1,387
Net book value at 31 March 2014	5	69	20	94

During the year, the Group commenced a programme of refurbishment works on new leased premises at 16 Palace Street in London. As at 31 March 2015 the work was ongoing, and in accordance with the Group's accounting policies, no depreciation has been charged on these leasehold improvements.

As at 31 March 2015, the Group was committed to further capital expenditure totalling £289,286 in respect of the refurbishment programme at the new premises.

Notes to the Financial Statements continued

For the year ended 31 March 2015

11. Financial Assets and Liabilities

11.1 Assets at fair value through profit or loss

	31 March 2015 £'000	31 March 2014 £'000
At beginning of year	43,912	–
Purchases	13	–
Redemptions	(10,384)	–
Net movement in fair value	4,530	–
At end of year	38,071	–

The Group's financial assets at fair value through profit or loss include investments in the funds it manages all of which are listed. The fair values of such financial assets are derived from quoted market prices in active markets.

11.2 Available for sale financial assets

	31 March 2015 £'000	31 March 2014 £'000
At beginning of year	–	31,246
Purchases	–	65,730
Redemptions	–	(52,680)
Net movement in fair value	–	(384)
At end of year	–	43,912

As set out in Note 1.21 the Group's holdings in available for sale financial assets have in the current year been reclassified to financial assets at fair value through the profit or loss.

11.3 Assets held for sale

	31 March 2015 £'000	31 March 2014 £'000
At beginning of year	–	–
Purchases	12,470	–
Redemptions	–	–
Net movement in fair value	1,144	–
At end of year	13,614	–

The Group's seed investments in its recently launched European Income fund and UK Absolute Equity fund have been classified as assets held for sale as their carrying value will be recovered principally through a sale transaction rather than through continuing use. The Group expects to sell these investments to external investors over the next 12 months. Both investments are carried at the lower of carrying amount and fair value less costs to sell. There were no material liabilities related to assets held for sale at year end.

11.4 Other financial assets and liabilities

Other financial assets	31 March 2015 £'000	31 March 2014 £'000
Financial instruments at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	–	654
	–	654

Other financial liabilities	31 March 2015 £'000	31 March 2014 £'000
Financial instruments at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	1,260	–
Financial instruments at fair value through profit or loss		
Foreign exchange forward contacts	58	–
Securities – short positions	4,039	1,965
	5,357	1,965

Foreign exchange financial contracts at fair value through both other comprehensive income and profit or loss consist of the fair value movement in foreign currency hedges taken out by the Group, as described in note 22.

Financial instruments at fair value through profit or loss reflect the change in fair value of short positions of securities used to hedge fair value changes in the Group's seed investments. Such hedges are not designated as fair value hedges for hedge accounting purposes.

12. Investment

The investment is the Company's wholly owned subsidiary Polar Capital Partners Limited.

13. Trade and Other Receivables

	31 March 2015		31 March 2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	7,569	–	7,553	–
Other receivables	693	26,510	1,221	26,301
Prepayments	1,072	–	901	–
Total	9,334	26,510	9,675	26,301

Other receivables for the Company are due from Polar Capital Partners Limited and Polar Capital LIP.

Notes to the Financial Statements continued
For the year ended 31 March 2015

14. Cash and Cash Equivalents

	31 March 2015 £'000	31 March 2014 £'000
Cash at bank and in hand	41,385	47,041

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents at year end was £41,385,292 (2014: £47,040,804).

15. Deferred Taxation

The Finance Act 2013 in the UK reduced the main rate of Corporation taxation to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. The effect of these reductions is reflected in the analysis below as the rate was substantively enacted before 31 March 2015.

	31 March 2015 Group £'000	31 March 2014 Group £'000
Deferred tax asset		
At beginning of year	7,472	4,140
Deferred tax on share-based payments	(3,050)	3,022
Capital allowances	(4)	(7)
Deferred tax on available-for-sale financial assets and liabilities	(56)	56
Deferred tax on other financial assets and liabilities	660	174
Deferred tax on assets at fair value through profit or loss	114	87
At end of year	5,136	7,472

Deferred tax assets at year end consist of deferred tax on share based payments of £3,950,000 (2014: £7,001,000), on other financial assets and liabilities of £1,071,360 (2014: £411,300) and on financial assets at fair value of £114,000 (2014: nil).

	31 March 2015 Group £'000	31 March 2014 Group £'000
Deferred tax liabilities		
At the beginning of year	221	24
Capital allowances	102	–
Deferred tax on available-for-sale financial assets and liabilities	–	(24)
Deferred tax on other financial assets and liabilities	(221)	221
At end of year	102	221

The deferred tax liability at year end consists of deferred tax on capital allowances of £102,000 (2014: nil).

16. Trade and Other Payables

	31 March 2015		31 March 2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Other creditors	19,972	–	24,115	–
Accruals	6,304	–	5,369	–
Total	26,276	–	29,484	–

17. Issued Share Capital and Reserves

17.1 Issued share capital

Group and Company

	31 March 2015 £'000	31 March 2014 £'000
Authorised		
Comprising 200,000,000 ordinary shares of 2.5p each	5,000	5,000
Allotted, called up and fully paid:		
89,286,273 ordinary shares of 2.5p each		
(2014: 87,354,203 ordinary shares of 2.5p each)	2,232	2,184

The increase in share capital arises from 1,514,981 (2014: 1,877,382) shares issued on exercise of employee share options as well as the issue of 417,089 (2014: 3,025,080) shares in connection with the crystallisation of manager preference shares as described in Note 21.

17.2 Nature and purpose of reserves

Share premium

Share premium records the difference between the nominal value of shares issued and the full value of the consideration received.

Own shares held

The Group has made a loan to the Polar Capital Employee Benefit Trust to enable it to acquire ordinary shares in Polar Capital Holdings plc. The assets of the Employee Benefit Trust are included on the Group's Balance Sheet and the investment in own shares (held at cost) is deducted from equity as required by IAS 32. At 31 March 2015 there were 1,171,020 shares of 2.5p each (2014: 1,710,365 shares of 2.5p each) held by the Employee Benefit Trust.

Capital reserves

The capital reserve represents a share repurchase reserve and preference shares issued by a subsidiary company, and is offset by movements in share capital of Polar Capital Holdings plc issued under this preference share scheme as described in Note 21.

Notes to the Financial Statements continued

For the year ended 31 March 2015

17. Issued Share Capital and Reserves continued

Other reserves

Other reserves relate to movements in:

- deferred tax assets that arise on share-based payments
- movements in the fair value of available for sale financial assets
- movements in the fair value of other financial assets arising on Forward Foreign Exchange Contracts classified as cash flow hedges

17.3 Issued Share Capital and Reserves – Company

Company	Share capital £'000	Share premium account £'000	Retained earnings £'000	Reserves £'000	Total £'000
As at 1 April 2013	2,062	16,094	9,542	(476)	27,222
Issue of shares	122	194	(38)	(76)	202
Dividends	–	–	(12,175)	–	(12,175)
Profit for the year	–	–	12,161	–	12,161
As at 1 April 2014	2,184	16,288	9,490	(552)	27,410
Issue of shares	48	427	–	(35)	440
Dividends	–	–	(22,891)	–	(22,891)
Profit for the year	–	–	22,580	–	22,580
As at 31 March 2015	2,232	16,715	9,179	(587)	27,539

18. Dividends Paid and Proposed

Dividends on ordinary shares declared and paid during the year:

	31 March 2015 £'000	31 March 2014 £'000
First interim dividend for 2015: 5.5p per share (2014: 4.0p per share)	4,791	3,262
Second interim dividend for 2014: 21.0p (2013: 11.0p)	18,100	8,913
Total dividend paid and charged to equity	22,891	12,175

Dividends on ordinary shares proposed for approval by the Board of Directors (not recognised as a liability at 31 March 2015):

	31 March 2015 £'000	31 March 2014 £'000
Second interim dividend for 2015: 19.5p per share (2014: 21.0p per share)	17,200	18,100

The Board has declared a second interim dividend of 19.5p (2014: 21.0p) to be paid in July 2015.

Together with the first interim dividend of 5.5p paid in January 2015 the total dividend for the year amounts to 25.0p (2014: 25.0p).

19. Operating Lease Commitments

As at 31 March 2015, the Group had non-land and buildings, operating lease commitments as follows:

	31 March 2015 £'000	31 March 2014 £'000
Amounts payable within one year	304	298
Amounts payable between two and five years	334	334

These leases consist of a number of market feed and other technology related subscriptions, with no one material contract.

As at 31 March 2015, the Group had operating lease commitments in respect of its rented premises as follows:

	31 March 2015 £'000	31 March 2014 £'000
Amounts payable within one year	1,349	797
Amounts payable between two and five years	5,396	–
Amounts payable in more than five years	6,748	–

The material lease relates to the rental of the Group's premises at 16 Palace Street in London, and expires in October 2024.

20. Cash Generated From Operations

Reconciliation of profit before taxation to cash generated from operations:

	31 March 2015 £'000	31 March 2014 £'000
Cash flows from operating activities		
Profit on ordinary activities before tax	31,126	32,799
Interest receivable and similar income	(18)	(13)
Depreciation of tangible fixed assets	82	59
Decrease/(increase) in receivables	341	(2,459)
(Decrease)/ increase in trade and other payables	(3,843)	13,371
Gain on assets at fair value through profit or loss	(4,712)	–
Gain on available for sale financial assets	–	(3,026)
Gain on revaluation of held for sale assets	(1,144)	–
Loss on instruments at fair value through profit or loss	2,911	1,505
Loss on derivatives	–	11
Share-based payment	2,557	1,468
Cash generated from operations	27,300	43,715

Notes to the Financial Statements continued
For the year ended 31 March 2015

21. Share-Based Payments

Manager and Team Preference Shares ('Preference Shares')

Certain employees of the Group and partners of Polar Capital LLP hold Manager Preference Shares or Manager Team Member Preference Shares (together 'Preference Shares') in Polar Capital Partners Limited, a group company.

The terms of the Preference Shares entitle their holders, at their option and at a future date, to a value calculated on the basis of the relative contribution of the holder to the Group as a whole. This value may (at the discretion of the company's parent undertaking, Polar Capital Holdings plc) be satisfied by the issue of ordinary shares in Polar Capital Holdings plc. The issue of the Preference Shares constitutes a share-based payment under IFRS 2 and the cost is the estimated fair value, at the date of issue of the preference shares, of the effective entitlement to the ordinary shares. The number of ordinary shares will vary and the holder, initially, and the Group, ultimately, determines the start of the three year period ('crystallisation') over which the ordinary shares are awarded, although this will always be at least three years after the end of the financial accounting period in which the preference shares are issued.

The share-based payments charge for the year under this scheme was £1,493,250 (2014: £607,000).

The total cost to the consolidated statement of profit or loss is £2,557,462 (2014: £1,467,900), which is made up of the charge detailed above and a further share-based payments charge for the employee options of £1,064,212 (2014: £860,900) as detailed further in the notes.

The following table illustrates the number of, and movements in, the estimated number of ordinary shares to be issued. No subscription price is payable on the issue of the ordinary shares.

Estimated number of ordinary shares to be issued:

	Awards to which IFRS 2 applies	Crystallised
At 1 April 2013	2,358,855	2,468,961
Exercise of preference shares (crystallisation event)	(1,390,296)	1,390,296
Issue in the year ('crystallised')	–	(3,025,080)
Movement in the year	1,118,937	–
At 1 April 2014	2,087,496	834,177
Exercise of preference shares (crystallisation event)	–	–
Issue in the year ('crystallised')	–	(417,089)
Movement in the year	1,889,272	–
At the end of the year	3,976,768	417,088

The fair value of these share-based payments is estimated using a Black-Scholes-Merton option pricing model. The following table lists the inputs to the model.

	2012 Awards	2011 Awards	2008 Awards
Dividend yield (%)	4.55	4.77	3.50
Expected share price volatility (%)	42.00	45.00	40.00
Risk free interest rate (%)	1.58	2.11	5.33
Weighted average share price (£)	1.42	1.94	1.21
Expected life of options (years)	6	6	6

The share price volatility was calculated by reference to the Company's historic share price.

Group Equity Incentive Plan

As part of an ongoing program to retain and incentivise employees, the Group issues share options under the following schemes:

Enterprise management incentive scheme

Share options in Polar Capital Holdings plc are granted to directors and employees under an Enterprise Management Incentive Scheme. These shares have a vesting period of either three or four years, and the exercise price for each option is the market value of the shares on the date it was granted. Early exercise conditions exist in the event of a takeover of more than 75% of the share capital of the Company.

Save as you Earn scheme

Share options in Polar Capital Holdings plc are granted to employees under a HMRC approved Save as You Earn scheme. These shares have a vesting period of five to seven years, and the exercise price for each option is the market value of the shares on the date the option was granted, subject to a discount of up to 20%. The scheme is linked to a SAYE savings contract.

Company share option scheme

Share options in Polar Capital Holdings plc are granted to employees under a HMRC approved arrangement up to a value at the date of grant of £30,000. These shares have a vesting period of either three or four years from the date of grant, and the exercise price for each option is the market value of the shares on the date it was granted.

Notes to the Financial Statements continued

For the year ended 31 March 2015

21. Share-Based Payments continued

Unapproved share option scheme

In cases where the terms of the schemes above cannot be met, unapproved share options are granted, under the terms of the Group's Equity Incentive Plan. These options vest in either four to five years, and are granted at a price agreed by the Directors of the Group.

The contractual term of all company share options, except for those issued under the SAYE scheme, is 10 years.

The expense recognised for share-based payments in this respect of these share schemes during the year was £1,064,212 (2014: £860,900).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2015		2014	
	Number	WAEP	Number	WAEP
Outstanding at beginning of the year	16,106,847	218p	13,753,610	126p
Granted during the year	346,354	432p	4,591,549	426p
Exercised during the year[1]	(2,394,639)	108p	(2,223,285)	78p
Lapsed during the year	(24,292)	489p	(15,027)	199p
Outstanding at end of the year	14,034,270	242p	16,106,847	218p
Exercisable at end of the year	5,071,300	109p	4,028,984	105p

1 Under the rules of the Group Equity Incentive Plan, unapproved share options may be issued as equity settled share appreciation rights, thereby enabling the Group to issue a net number of shares to employees on the exercise of options. During the year 1,514,981 shares (note 17) were issued to satisfy the total number of options exercised (2014: 1,877,382 shares)

The weighted average fair value of options granted during the year was £0.74 (2014: £0.59).

For options exercised during the year the weighted average share price at the date of exercise was £4.26 (2014: £4.57).

The weighted average remaining contractual life of the share options outstanding as at 31 March 2015 was 7 years (2014: 7 years).

The range of exercise prices for options outstanding at the end of the year was £0.74 – £4.93 (2014: £0.5–£4.93).

The fair value of equity-settled share options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2015 and 31 March 2014.

	31 March 2015	31 March 2014
Dividend yield (%)	3.00	3.3–3.9
Expected share price volatility (%)	26	24.5
Risk free interest rate (%)	1.3–1.8	0.9–1.4
Weighted average share price (£)	2.42	2.18
Expected life of options	Vesting period	Vesting period

The share price volatility was calculated by reference to the Company's historic share price.

No other features of options granted were incorporated into the measurement of fair value.

22. Financial Instruments

The Group's financial assets comprise investments in assets at fair value through profit or loss, trade and other receivables and cash and cash equivalents. Financial liabilities comprise trade and other payables and liabilities at fair value through profit or loss. The Group also enters in to derivative contracts.

The main areas of risk arising from the Group's financial instruments are credit risk, liquidity risk, market risk and capital risk. Each of these risks is discussed in detail below. The Group monitors financial risks on a consolidated basis and intra-Group balances are settled when it is deemed appropriate for both parties to the transaction. The Company is not exposed to material financial risk and separate disclosures for the Company have not been included. The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate for a listed company. The management of risk within the Group is governed by the Board and overseen by the Audit Committee.

Credit risk

Credit risk is the risk of financial loss if a counterparty fails to settle its debt to the Group.

Fees due from funds managed by the Group are invoiced monthly or quarterly and are settled within 30 days of the invoice date. No trade receivables at year end are impaired and to date there have been no settlement issues with any funds. The risk is therefore regarded as low.

Amounts placed on deposit are invested according to a treasury policy that is designed to reduce concentration and counterparty risk. Investments in available for sale assets are monitored regularly. The carrying value of the Group's financial assets represents its maximum exposure to credit risk at the year end.

Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due. The Group maintains significant liquid resources in the form of cash or cash deposits in order to meet working capital and regulatory needs. The Group's treasury policy is designed to align the duration period of the cash investments to the working capital requirements of the Group with no investment being placed for a period of more than three months.

The Group's financial liabilities comprise trade and other payables and derivative instruments. The maturity dates for all financial liabilities fall within either one year or repayable on demand.

Notes to the Financial Statements continued

For the year ended 31 March 2015

22. Financial Instruments continued

Price risk

Price risk is the risk that changes in market prices will affect the Group's income or value of its investments.

The Group holds financial assets at fair value through profit or loss consisting of investments in its own funds, which are sensitive to movements in market equity prices.

Should the market move by 10%, and all the funds (and hence the Group's investments) move by this same amount, it would result in a change to the carrying value of the assets of £3.8m (2014: £4.4m).

This movement would be recognised in the statement of profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows related to financial instruments will fluctuate because of changes to market interest rates.

The Group's cash and short-term deposits earn nominal amounts of interest at a floating rate and any change in market interest rates would result in negligible change to profit before tax. The Group has no borrowings.

Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will cause the Group to suffer losses.

Although the majority of management fees are received in Sterling, certain of those fees are generated from assets based in other countries, in particular USD dollar-based assets and a smaller amount of Yen based assets.

In order to hedge the risk associated with these fees, the Group enters into a number of forward foreign currency contracts over a period of 15 months. At year end, the Group had four (2014: five) open contracts to sell US dollars totalling USD $23,200,000 (2014: USD $17,700,000), for a total of £14,350,871 (2014: £11,142,300). There was one open Sterling/ Yen contract to sell a total of ¥139,000,000 (2014: ¥81,800,000), for a total of £812,866 (2014: £532,600). These contracts are designated as cash flow hedges for hedge accounting purposes.

The Group also holds financial assets at fair value through profit or loss consisting of investments in its own funds. Where such investments are made in assets denominated in a currency other than the Group's functional currency, Sterling, the Group is exposed to changes in foreign currency exchange rates.

At the year end there are five investments in non-hedged seed investments and the Group has therefore hedged against the risk of exposure to changes in the foreign currency exchange rates caused by the underlying US Dollar/Euro assets within these investments. The Group has a further three (2014: five) forward currency contracts for the sale of USD $27,700,000 (2014: USD $45,400,000) to purchase £18,589,375 (2014: £27,385,000) and one forward currency contract for the sale of €6,500,000 to purchase £4,749,379. These contracts are not designated as cash flow or fair value hedges for hedge accounting purposes.

The Group's hedging policy serves to mitigate its exposure to foreign currency risk on its revenue and balance sheet investments. Any changes in foreign exchange rates will have a compensatory effect on both the hedged items and open forward currency contracts.

Capital management

All companies within the Group are managed as going concerns and have sufficient capital to meet their day-to-day needs and to fulfil any externally imposed capital requirements. The capital of the Group and the Company consists of equity attributable to equity holders of the parent company, comprising issued share capital, share premiums, reserves and retained earnings as disclosed in note 17.

The Group is supervised by the Financial Conduct Authority and submits appropriate returns on the capital adequacy of both the Group and the regulated entity, Polar Capital LLP. Throughout the year the Group and Polar Capital LLP held surplus capital over the regulated requirement.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At the end of both the current as well as the comparative period, all held for sale financial assets and fair value through profit or loss financial instruments held by the Group were Level 1 and all open forward foreign exchange contracts were Level 2. The open forward foreign exchange contracts are held at fair value which represents the price to exit the contracts at balance sheet date. The carrying values of the Group's financial instruments are presented on the face of the balance sheet.

During the reporting period there were no transfers between levels in fair value measurements. There are no level 3 financial instruments.

Notes to the Financial Statements continued
For the year ended 31 March 2015

23. Related Party Transactions

1) Group

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not included in this note.

B J D Ashford-Russell is a member of Polar Capital LLP (the 'Partnership') and a director of the Polar Capital Technology Trust plc (the Trust). The Partnership is the appointed investment manager of the Trust. The total fees received by the Group as investment manager of the Trust were £6,924,500 (2014: £5,940,800). The amounts receivable at the year end in this respect was £1,289,200 (2014: £1,072,600).

At the end of the year, the Group had an outstanding loan due of £961,735 (2014: £1,017,131) from the Polar Capital Employee Benefit Trust, which was set up in 2002 to hold ordinary shares in Polar Capital Holdings plc for the benefit of employees.

The investments in financial assets at fair value through profit or loss disclosed in note 11 are in affiliated funds that are managed by a subsidiary of the Group.

2) Company

The Company has intercompany balances with Polar Capital Partners Limited and with Polar Capital LLP. The balance receivable from Polar Capital Partners Limited of £26,429,681 (2014: £26,220,440) and the balance of £81,362 receivable from Polar Capital LLP (2014: £81,362) relate to cash movements by the subsidiaries on behalf of the Company.

3) Remuneration of key management personnel

The remuneration of key management, which includes the executive and non-executive Directors, is summarised below. Further details are included in Note 6 which details Directors' emoluments.

	31 March 2015 £'000	31 March 2014 £'000
Total emoluments including partnership profit allocations and pension contributions	1,382	1,806

At the end of the year the Group had balances owing to or in regards to key personnel of £5,000 (2014: £5,000). This amount relates an amount owed to another company for the services of a non-executive director.

At year end, the Group also had a balance of £296,400 (2014: nil) receivable from members of Polar Capital LLP. Of this amount, £61,200 related to a short-term loan to key personnel and £235,200 (2014: nil) related to tax and NIC, arising on exercise of unapproved share options, that was paid to HMRC on behalf of key personnel.

Options to acquire ordinary shares held by the directors during the year ended 31 March 2015 are disclosed in the Remuneration Committees' Report.

Included within the share-based payments charge disclosed in note 21, is an amount of £178,300 (2014: £151,300) relating to key management personnel.

Shareholder Information and Advisers

Company No.

4235369

Registered office

16 Palace Street
London, SW1E 5JD
Tel: 020 7227 2700

Company Secretary

Neil Taylor

Website

www.polarcapital.co.uk

Annual General Meeting

29 July 2015
Please see separate AGM Notice for details.

Dividends

Where possible, it is recommended that dividend payments are made directly into a bank account to provide improved security and faster access to funds. You may give instruction via the registrar's website (www.shareview.co.uk) or in writing.

First interim dividend
For the financial year ended 31 March 2015

Amount
5.5p per ordinary share

Ex-dividend date
28 December 2014

Record date
30 December 2014

Payment date
16 January 2014

Second interim dividend
For the financial year ended 31 March 2015

Amount
19.5p per ordinary share

Ex-dividend date
2 July 2015

Record date
3 July 2015

Payment date
17 July 2015

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Shareholder helpline
0800 876 6660
(+44 121 415 7047)

Website
www.shareview.co.uk

Auditors

Ernst & Young LLP
1 More London Place
London, SE1 2AF

Bankers

HSBC Bank plc

Nominated Adviser and Corporate Broker

Canaccord Genuity
88 Wood Street
London, EC2V 7QR

Solicitors

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London, EC2M 2EG

Shares

The shares are traded on the Alternative Investment Market of the London Stock Exchange and information on the share price and the Company can be accessed via the Company's website or at www.londonstockexchange.com – code: POLR; or Bloomberg: POLR LN.

ISIN number
GB00B1GCLT25

SEDOL code
B1GCLT2

Designed and produced by
ACCRUE FULTON
www.accruefulton.com

POLAR
CAPITAL